BBVA

Creating Opportunities

Annual Report 2019

2019 Annual Report

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Creating Opportunities

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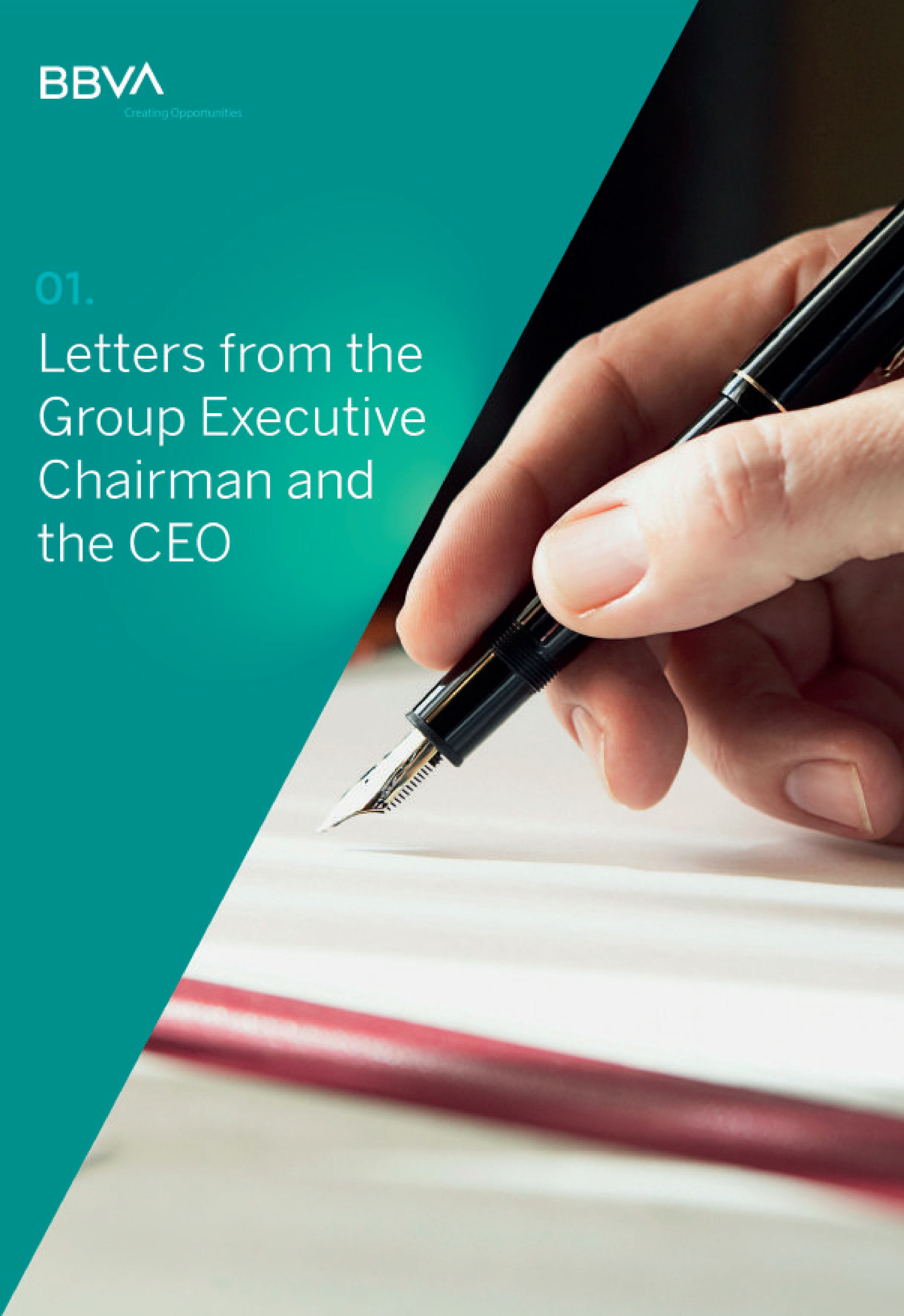

Letter from the Group Executive Chairman

Dear shareholders,

In 2019 we achieved **excellent financial results on a recurring basis, the best of the last ten years,** and we also made major progress in our transformation journey.

Net attributable profit excluding non-recurring impacts reached €4,830 million in 2019, thanks to record-high core revenues and strict cost management. **Book value per share rose 11.5 percent and the return on tangible equity (ROTE) was 11.9 percent, which placed us ahead of the financial industry in terms of profitability.** The Group's fully-loaded CET1 capital ratio ended the year at 11.74 percent, 40 basis points higher than in 2018.

All of this in a year marked by a highly complex economic environment, with deceleration in the global economy due to geopolitical conflicts, trade tensions and a low interest-rate environment. This led to global growth of 3.1 percent in 2019, the lowest since 2009.

These results are clear evidence of the success of our transformation and of our commitment to digitization. A commitment that has made us the **unquestionable leaders of the financial sector's digital transformation** in recent years.

Proof of this is the fact that since 2015, the number of customers banking with us on digital channels has doubled, and the number of customers doing it through their mobile phones has tripled. Mobile customers now represent more than 50 percent of our customer base. Digital sales in both units and value now represent 59 percent and 45 percent of sales, respectively.

Not only have we seen the number of mobile and digital customers evolve in recent years, **our total base of active customers has increased by nearly nine million.** And what is even more important, our customers are **more loyal and more satisfied**, as shown by our leading position in the net promoter score (NPS) in most places where we operate.

All of this is the result of a unique value proposition across all channels, especially digital channels. The consulting firm Forrester Research recognized **BBVA Spain's mobile banking app as the best in the world for the third consecutive year**, followed by BBVA's app in Turkey in the second place.

Furthermore, in 2019, we adopted a **single brand and new logo globally.** This change underscores our goal of offering a unique value proposition and uniform user experience, characteristic of a global digital company.

Without a doubt, one of the most remarkable aspects of 2019 is **the rising awareness and social mobilization with regards to climate change and the sustainability challenges facing humankind.** The fight against climate change represents one of the biggest disruptions in history, with very significant economic consequences to which we all (governments, regulators, companies, consumers, society as a whole) need to adapt immediately.

The climate transition will require significant investment in the short term in many industries. At BBVA, we are aware of the important role banks may play in this transition providing financings and advice to our customers. **We firmly believe that the future of banking is financing the Future, with a capital F.**

For this reason, two years ago, we defined our **Pledge 2025 in order to achieve the United Nations Sustainable Development Goals and aligned with the Paris Climate Agreement**. We set the goal of mobilizing €100 billion by 2025, and in just two years **we have already allocated over €30 billion**, which represents a significant progress.

In addition, at BBVA, **we have made the commitment to be neutral in direct CO_2 emissions from our activities starting this year, 2020**. Also, as we announced at the United Nations Climate Change Conference COP 25 in Madrid, we have set an internal price for CO_2 emissions. This encourages all of BBVA's areas and businesses to reduce their emissions. We hope that in the near future, a global CO_2 market will be established to also incentivize all economic actors to make the necessary reductions.

But it is important to highlight that for us, sustainability goes beyond climate change. For this reason, at BBVA we support global initiatives, such as the United Nations Global Compact, which help join efforts in the pursuit of sustainable development. For us, it is essential that this sustainable development be inclusive for each and every person in society. With this goal in mind, in 2019, **BBVA allocated over €100 million to social initiatives and support for education, culture and science as well as entrepreneurship, benefitting over 11 million people.**

In particular, at BBVA, we feel especially proud of the great work of our foundations through numerous initiatives, such as the **BBVA Foundation Frontiers of Knowledge Awards,** which recognize fundamental contributions to the development of knowledge and research. **BBVA Microfinance Foundation's** financing for development is also noteworthy, particularly through microloans to low-income entrepreneurs and programs for environmental sustainability and the economic empowerment of women. An endeavor for which it was recognized by the Organization for Economic Cooperation and Development (OECD), as **the second largest philanthropic initiative on a global level, and the largest in Latin America.**

Furthermore, paying taxes is a fundamental part of BBVA's commitment to society. For this reason, BBVA voluntarily publishes its global tax contribution report, an example of good governance and transparency. **In 2019, BBVA contributed a total of €9.29 billion in taxes derived from our activities in all of our markets**, including both our own taxes and third-party taxes paid by the Group. These taxes make it possible to foster development in these countries by investing in infrastructure or healthcare, but especially by helping to promote equal opportunities through better education.

The year 2019 also served to carry out a strategic reflection process, based on the enormous accomplishments that we have achieved over the past five years, and with the goal of continuing to work to attain **our Purpose: to bring the age of opportunity to everyone.**

Looking forward **we want to help our customers make better financial decisions and to support them in their transition to a more sustainable world**. This aspect is crucial for all of us, taking into account the important social and environmental challenges we are facing.

To this end, we have evolved our strategy and defined **six new strategic priorities that seek to broaden the impact of our transformation journey** on our clients and society, with the team, data and technology playing a key role to achieve our Purpose. The first four priorities are directed towards:

1. **Improving our clients financial health,** helping them in their decision-making and daily management of their finances through personalized advice.
2. **Helping our clients transition toward a sustainable future,** not just from an environmental standpoint, but also striving for inclusive economic development.
3. **Reaching more clients,** leveraging digital channels to achieve profitable and sustainable growth in the most attractive segments.
4. **Driving operational excellence,** with simple, automated processes. We will also continue to focus on risk management, an optimal capital allocation and promoting a culture of ethics and compliance.

To achieve these objectives we will leverage the two remaining priorities, the true foundation upon which we are building the BBVA of the future:

5. **The best and most engaged team,** promoting the commitment and performance of each of us who are part of BBVA in order to achieve our purpose.
6. **Data and technology,** which increasingly are key ingredients for any aspect of our activity, and which will help us accelerate the achievement of the rest of priorities.

I am convinced that these six new strategic priorities will help us to address the challenges we must face and **will determine our success in the coming years as we continue leading the Future of banking.**

Finally, I would like to thank each and every one of the more than 126,000 people that are part of BBVA for their excellent work and commitment, and encourage them to continue working to fulfill our Purpose, and to always do so according to our values, "The customer comes first", "We think big" and "We are one team."

And to you, our esteemed shareholders, thank you once again for your confidence and your constant support, which drives us to continue giving our best every day.

Carlos Torres Vila

BBVA´s Group Executive Chairman

Letter from the Chief Executive Officer

Dear shareholders,

In 2019, we witnessed a slowdown in global growth resulting from geopolitical risks and trade tensions, which in turn led to weaker international trade, less investment, and reduced industrial activity. In addition, the major central banks continued to support measures in favor of low interest rates. **Despite this challenging environment, BBVA has proven once again the strength of its diversified business model and its ability to generate strong results with double-digit returns.**

The world economy grew 3.1 percent in 2019, representing the lowest growth rate since 2009. At the national level, economic performance varied by country across the BBVA footprint. On one hand, Spain achieved 2 percent growth, jumping ahead of the eurozone. And, in the United States, despite a slight downturn, growth stood at 2.3 percent, bolstered by expansive fiscal policies. Even so, growth across the Sunbelt region, where BBVA mainly operates, outpaced the national average, standing at 3.2 percent. Colombia and Peru also posted solid growth at 3.2 percent and 2.1 percent, respectively. Mexico experienced sluggish growth in 2019 owing to, among other factors, the delayed ratification of the new trade deal with the United States and Canada and a slowdown in employment and private consumption. In Turkey, economic policies adopted over the course of the year contributed to putting growth on the path to recovery. By contrast, in Argentina we are facing a situation of real uncertainty.

Despite this challenging environment, **BBVA Group's 2019 net attributable profit, excluding non-recurring impacts, was €4,830 million, representing a 2.7 percent year-on-year increase.** This equates to the Bank's highest net attributable profit, without non-recurring impacts, since 2009. Including the goodwill impairment related to our unit in the United States, the net attributable profit totals €3,512 million. The goodwill accounting impact, generated in 2009 as a consequence of the acquisition of our main assets in the U.S., is due to the descending interest rate trends and economic slowdown in the country. The goodwill impairment has no effect on the tangible net equity, capital, liquidity nor BBVA Group's ability to pay out dividends.

As for shareholder value creation, the tangible book value per share plus dividends reached €6.53 at the close of the year, representing an 11.5 percent increase from the year before. And for another year, **our profitability metrics place us ahead of our peers.** Excluding the goodwill impairment, return on equity stood at 9.9% and the return on tangible assets at 11.9%.

I would also like to highlight that our strong capital position once again came to the fore in 2019. The fully-loaded CET1 ratio stands within our target range and closed the year at 11.74 percent, representing an increase of 40 basis points in the year, despite negative impacts related to accounting standards and other regulatory adjustments.

The recurring revenues trend is also worth noting: despite low interest-rate environments in some of our major markets, recurring revenues grew more than 5 percent at constant exchange rates — meaning without factoring in exchange rate impacts — thus reaching a record high in absolute terms. Cost containment is also worth mentioning, with expenses growing around 2.2 percent, well below the average rate of inflation across our footprint. As a result, the efficiency ratio improved by 92 basis points reaching 48.5 percent, which once again positions us well ahead of our peer group.

And we have achieved all this while maintaining strong risk indicators, with a significant improvement in the NPL ratio, which stood at 3.8 percent, 15 basis points better than the 2018 figure. The NPL coverage ratio improved 349 basis points in the year, ending up at 77 percent. The results for both indicators are the best they have been in the last ten years. The Group's cost of risk also remained low, near 1 percent.

With respect to our primary business units, I would like to especially point out the following:

- In **Spain**, the net attributable profit stood at €1,386 million, 1 percent less compared to the previous year, weighed down from the drop in net interest income, which was as expected, and by the results from net trading income, which was partially countered by the positive performance of commissions, a significant reduction in costs, and lower impairments from the sale of NPL portfolios throughout the year. From a risk perspective, we saw a positive trend with the NPL ratio dropping to 4.4 percent and the cost of risk to 0.12 percent.
- In the **United States**, the net attributable profit for 2019 reached €590 million, 23.9 percent less than in 2018 in constant exchange rates. This was fundamentally due to the drop of interest rates and the increase in impairment losses on financial assets as a consequence of greater one-time provisions in the commercial and consumer portfolio and the adjustment in the macroeconomic scenario.
- In **Mexico,** the net attributable profit for the unit was €2,699 million, representing a year-on-year increase of 8.2 percent at constant exchange rates, driven by the net interest income and improved efficiency. It is also worth pointing out the unit's solid risk indicators.

- In **Turkey**, the net attributable profit reached €506 million. Without taking into account the depreciation of the lira throughout the year — meaning in constant terms — this result is similar to the previous year, with a slight decline of 0.5 percent. I would like to emphasize the positive performance in net interest income, as a result of an outstanding price management, which compensated for the drop in contribution from inflation-linked bonds.
- In **South America** positive trends stand out in leading markets: Argentina, Colombia, and Peru. The net attributable profit for the area rose to €721 million in 2019, which represents year-on-year growth of 64 percent (excluding the BBVA Chile business from the annual comparison) in constant terms.

Finally, I don't want to miss this opportunity to thank the more than 126,000 Group employees for their ongoing effort, their commitment, and for their contribution to our outstanding results, each day demonstrating the real value that comes from working together as one team. And, of course, thank you to all of you, our shareholders, for your constant support which inspires us to realize our purpose: to bring the age of opportunity to everyone.

Onur Genç

BBVA´s Chief Executive Officer

BBVA

Creating Opportunities

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Management report

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About BBVA

BBVA is a customer-centric global **financial services group** founded in 1857 that operates in more than 30 countries. The Group has a strong leadership position in the Spanish market, is the largest financial institution in Mexico, it has leading franchises in South America and the Sunbelt Region of the United States, being also the leading shareholder in Turkey's BBVA Garanti.

BBVA's **purpose** is to bring the age of opportunities to everyone, based on the customers' real needs: provide the best solutions, helping them make the best financial decisions, through an easy and convenient experience. BBVA rests in solid values: Customer comes first, we think big and we are one team.

Its diversified business is based on high-growth markets and it relies on technology as a key sustainable competitive advantage. Corporate responsibility is at the core of its **business model**. BBVA fosters financial education and inclusion, and supports scientific research and culture. It operates with the highest integrity, a long-term vision and applies the best practices.

This Management Report includes information on the Group's performance in 2019, the definition of the strategy and the activity more related to it and to the stakeholders, in the sections of the chapter Non-financial information report; the financial performance in the Group Financial Information chapter and the different countries and business areas in the corresponding Business Areas; and all risk management information in its corresponding chapter.

Non-financial information report

Pursuant to Law 11/2018 of December 28, modifying the Commercial Code, the revised text of the Capital Companies Law approved by Royal Legislative Decree 1/2010 of July 2, and Law 22/2015 of July 20 on Accounts Auditing, regarding non-financial information and diversity (hereinafter, Law 11/2018), BBVA presents a non-financial information report that includes, but is not limited to: the information needed to understand the performance, results, and position of the Group, and the impact of its activity on environmental, social, respect for human rights, and the fight against corruption and bribery matters, as well as employee matters.

In this context, BBVA prepares the **Consolidated Non-financial information report** in the Group's Management Report, which is attached to the Consolidated Financial Statements for the 2019 fiscal year as covered in the article 49.6 of the Commercial code introduced by Law 11/2018.

Reporting of the non-financial key performance indicators included (KPI) in this consolidated non-financial information report is performed using the GRI (Global Reporting Initiative) guide as an international reporting framework in its exhaustive option.

In addition, for the preparation of the non-financial information contained in this Management Report, the Group has considered the Communication from the Commission of July 5, 2017 on Guidelines on non-financial reporting (methodology for reporting non-financial information, 2017/C 215/01).

The information included in the consolidated non-financial information report is verified by KPMG Auditores, S.L., in its capacity as independent provider of verification services, in accordance with the new wording given by Law 11/2018 to article 49 of the Commercial Code.

The Group's organizational chart

In 2019, the organizational structure of the Group remains in line with that approved by the Board of Directors of BBVA at the end of 2018. This structure aimed at fostering the Group's transformation and businesses, while further specifying responsibilities for executive functions.

The main aspects of the organizational structure are as follows:

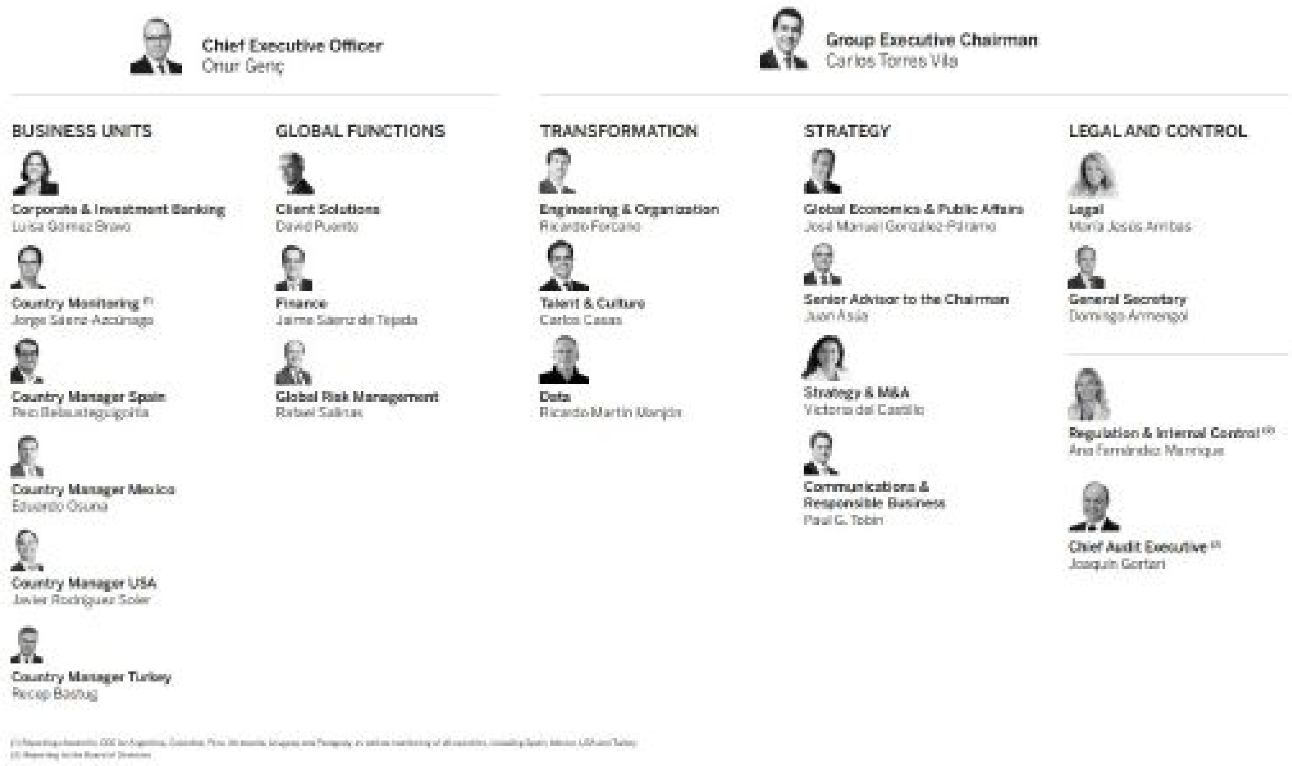
- The **Group Executive Chairman** is responsible for the management and well-functioning of the Board of Directors, the supervision of the management of the Group, the institutional representation, and leading and boosting the Group's strategy and its transformation process.

  The areas reporting directly to the executive chairman are those related to the transformation's key levers: Engineering & Organization, Talent & Culture and Data; those related to the Group's strategy: Global Economics & Public Affairs, Strategy & M&A, Communications & Responsible Business and the figure Senior Advisor to the Chairman; and the Legal-related and Board-related areas: Legal and General Secretary.

- The **Chief Executive Officer** (CEO) is in charge of the daily management of the Group's businesses, reporting directly to BBVA's Board of Directors.

  The areas reporting to the CEO are the Business Units in the different countries and Corporate & Investment Banking, as well as the following global functions: Client Solutions, Finance and Global Risk Management.

Additionally, there are two control areas with direct reporting of their heads to the Board of Directors through the corresponding committees. These control areas are Internal Audit and the new Regulation & Internal Control, area that is in charge of the relationship with regulators and supervisors, the monitoring and analysis of regulatory trends and the development of the Group's regulatory agenda, and the management of compliance-related risks.



Environment

Macro and industry trends

Global growth decelerated in 2019 to growth rates slightly below 3% in annual terms in the second half of the year, below the 3.6% of 2018. Increased trade protectionism and geopolitical risks had a negative impact on economic activity, mainly on exports and investment, additionally to the structural slowdown in the Chinese economy and the cyclical moderation of the US and Eurozone economies. However, the counter-cyclical policies announced in 2019, led by central banks, along with the recent reduction in trade tensions between the United States and China and the disappearance of the risk of a disorderly Brexit in the short term, are leading to some stabilization of global growth, based on the relatively strong performance of private consumption supported by the relative strength of labor markets and low inflation. Thus, global growth forecasts stand around 3.1% for both 2019 and 2020.

GLOBAL GDP GROWTH AND INFLATION IN 2019 (REAL PERCENTAGE GROWTH)

	GDP	Inflation
World	3.1	3.7
Eurozone	1.2	1.2
Spain	2.0	0.7
The United States	2.3	1.8
Mexico	0.0	3.6
South America (1)	0.9	10.8
Turkey	0.8	15.5
China	6.1	2.9

Source: BBVA Research estimates.
(1) It includes Argentina, Brazil, Chile, Colombia and Peru.

In terms of **monetary policy**, the major central banks took more loosening measures last year. In the United States, the Federal Reserve reduced interest rates between July and October by 75 basis points to 1.75%. In the eurozone, the European Central Bank (ECB) announced in September a package of monetary measures to support the economy and the financial system, including: (i) a deposit facility interest rate reduction of ten basis points, leaving them at -0.50%, (ii) the adoption of a phased interest rate system for the previously mentioned deposit facility, (iii) a new debt purchase program of €20 billion per month, and (iv) an improvement in financing conditions for banks in the ECB's liquidity auctions. The latest signs of growth stabilization contributed to the decision of both monetary authorities to keep interest rates unchanged in recent months, although additional stimulus measures are not ruled out in the event of a further deterioration of the economic environment. In China, in addition to fiscal stimulus decisions and exchange rate depreciation, a cut in reserve requirements for banks was recently announced and base rates have been reduced. Accordingly, **interest rates** will remain low in major economies, enabling emerging countries to gain room for maneuver.

Spain

In terms of **growth**, the latest data confirms that GDP continues to grow at a higher rate than in the rest of the eurozone, though it has slowed to 0.4% quarterly in the second quarter of 2019 from an average growth of around 0.7% since 2014, and stabilized in the third quarter. This result reflects a moderation in domestic demand, in both private consumption and investment, as well as some fading stimuli and the negative effect of uncertainty.

As for the **banking system**, the total volume of credit to the private sector continues to decline while asset quality indicators improve (the non-performing loan ratio was 5.1% in October 2019). Profitability remained under pressure (ROE of 5.2% in the first nine months of 2019) due to low interest rates and lower business volumes. Spanish institutions maintain comfortable levels of capital adequacy and liquidity.

United States

In the third quarter of 2019, **growth** remained stable at 2.1% on an annualized quarterly basis, following the slowdown observed in the previous quarter from rates of 3.1% at the beginning of last year, confirming a period of economic moderation and dispelling, for the time being, fears of a recessionary scenario. The strength of private consumption, based on the soundness of the labor market, continues to contrast with weak investment, negatively affected by political uncertainty and lower global growth, coupled with poorer performance of net exports. In this context, the Federal Reserve points to a pause in interest-rate cuts to 1.75% as long as there are no significant changes in the scenario, although additional stimulus measures are not ruled out in the event of a further deterioration in the economic environment, nor an upward adjustment if inflation rises more than expected.

In the **banking system**, as a whole, the most recent activity data (November 2019) show that credit and deposits in the system are growing at year-on-year rates of 4.0% and 10.6%, respectively. Non-performing loans remain under control: thus the non-performing loan ratio stood at 1.46% at the end of the third quarter of 2019.

Mexico

In terms of **growth**, the economy stagnated in the third quarter of 2019 after three quarters of slight contraction (about -0.1% per quarter) and no signs of recovery were visible in the last quarter of the year, especially in terms of investment. Several factors were behind this behavior: the delay in ratifying the new trade agreement between the United States and Canada, the continuing uncertainty due to external and internal factors, the slowdown in the manufacturing sector in the United States, as well as the slowdown in employment and private consumption. In this context, inflation declined rapidly and significantly from annual rates of just over 4% in mid-year to 2.8% in December 2019, promoting the central bank to initiate an interest rate-cut cycle, with four cuts of 25 basis points between August and December, to 7.25%.

The **banking system** continued to grow year-on-year. According to data from November 2019, lending and deposits grew by 4.7% and 4.0% year-on-year respectively, with increases in all portfolios. The non-performing loan ratio remained under control (2.24% in November 2019, compared to 2.18% twelve months previously) and capital indicators were comfortable.

Turkey

In terms of **growth**, the Turkish economy technically emerged from the recession in the first quarter of 2019, growing by 1.7% on a quarterly basis, and the recovery continued although at a more moderate rate in the second and third quarters (1.0% and 0.4%, respectively). The correction in domestic demand seems to have ended in the third quarter with the recovery of private consumption and investment, although support for net exports dissipated and slightly hampered growth. The economy is expected to have grown by 0.8% in 2019. Inflation slowed significantly during the second half of the year, from rates of just over 20% to around 12% in December. In this context, the central bank cut the interest rate by 425 basis points in July, 325 basis points in September, 250 basis points in October, 200 basis points in December down to a 12.00% interest rate at the end of the year. In January 2020, the central bank reduced the interest rate 75 basis points to 11.25%.

With data from November 2019, the total volume of credit in Turkish liras is the **banking system** increased by 11.4% year-on-year while credit in foreign currency grew by 4.9% in the same period. The NPA ratio stood at 5.3% at the end of November 2019.

Argentina

With regards to economic **growth**, following the outcome of the primary elections in mid-August 2019, capital outflows led to a sharp exchange rate depreciation, a situation that the government attempted to alleviate with a highly restrictive monetary policy and capital control measures. All this resulted in a rapid deterioration in confidence, a sharp increase in inflation, a fall in real wages and consequently a sharp contraction in consumption and investment. The external sector is the sole support for the activity, prompted by the boost of depreciation on exports along with a considerable adjustment of imports. There is uncertainty about the measures and policies that will be implemented to tackle the crisis.

In the **banking system**, lending and deposits are growing at high rates, albeit with the notable influence of high inflation. Profitability indicators are very high (ROE: 42.9% and ROA: 4.8% in October 2019) and non-performing loans increased, with a non-performing loan ratio of 4.9% in October 2019.

Colombia

The economy continued to recover in 2019, with **growth** slightly above the 3.0% year-on-year average level until the third quarter, after advancing 2.6% in 2018. The recovery continues to be driven by consumption as well as investment in machinery and equipment. Private consumption is expected to moderate somewhat in light of the deterioration of the labor market and weak confidence, although this will be partly offset by higher expenditure linked to the increase in immigration, while investment in construction should start to show signs of recovery, supported by some public policies. Nevertheless, growth is expected to remain relatively stable in the coming quarters. Inflation increased in the second half of the year to levels around 3.8% due mainly to the effect of the exchange rate depreciation, but still within the target range of the Bank of the Republic, which kept the reference interest rate at 4.25%.

Total credit in the **banking system** grew by 9.1% year-on-year in September 2019, with a non-performing loan ratio of 4.4%. Total deposits increased by 8.5% year-on-year in the same period.

Peru

Activity slowed in 2019, with annual **growth** of about 2% from rates of around 4% in 2018. This weak growth responded to the worse performance of primary activities, and to a lower public investment that was noted in construction and some manufacturing. In this context, with inflation below the 2% target, the central bank lowered the interest rate by 50 basis points between August and November to 2.25%. In 2020, the growth of the Peruvian economy could gain traction once some of the temporary factors that affected primary activities disappear, once public investment returns to normal and reconstruction efforts resume in some areas of the north of the country.

The **banking system** showed moderate year-on-year growth rates in lending and deposits (+7.3% and +12.0% respectively, in September 2019), with reasonably high levels of profitability (ROE: 18.9%) and contained non-performing loans (NPL ratio: 2.7%).

INTEREST RATES (PERCENTAGE)

	31-12-19	30-09-19	30-06-19	31-03-19	31-12-18	30-09-18	30-06-18	31-03-18
Official ECB rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Euribor 3 months (1)	(0.39)	(0.42)	(0.33)	(0.31)	(0.31)	(0.32)	(0.32)	(0.33)
Euribor 1 year (1)	(0.26)	(0.34)	(0.19)	(0.11)	(0.13)	(0.17)	(0.18)	(0.19)
USA Federal rates	1.75	2.00	2.50	2.50	2.50	2.25	2.00	1.75
TIIE (Mexico)	7.25	7.75	8.25	8.25	8.25	7.75	7.75	7.50
CBRT (Turkey)	12.00	16.50	24.00	24.00	24.00	24.00	17.75	8.00

(1) Calculated as the month average.

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

	Year-end exchange rates			Average exchange rates	
	31-12-19	Δ % on 31-12-18	Δ % on 30-09-19	2019	Δ % on 2018
U.S. dollar	1.1234	1.9	(3.1)	1.1195	5.5
Mexican peso	21.2202	6.0	1.1	21.5531	5.3
Turkish lira	6.6843	(9.4)	(8.0)	6.3595	(10.3)
Peruvian sol	3.7205	3.8	(1.1)	3.7335	3.9
Argentine peso (1)	67.29	(35.7)	(7.2)	-	-
Chilean peso	841.13	(5.4)	(6.1)	786.75	(3.8)
Colombian peso	3,681.54	1.7	2.4	3,673.67	(5.2)

(1) According to IAS 29 "Financial information in hyperinflationary economies", the year-end exchange rate is used for the conversion of the Argentina income statement.

Economic outlook

BBVA Research's scenario update takes into account the easing of trade tensions between the United States and China and the removal of the risk of a disorderly Brexit in the short term (even if a risk remains for the end of 2020), which has contributed to **a fall in economic uncertainty over the global environment**. This paves the way for a slowdown in growth and for the global economy to stabilize, even though increased protectionism will continue to affect world trade. This prospect of stabilizing global growth has been reinforced by robust activity in the United States and by the most recent slight upward surprises in growth data in China and the eurozone. Economic policy has also continued to support growth, and will continue to do so in the coming quarters, at least in the world's major economies: following the monetary stimulus actions in 2019, both the Federal Reserve and the European Central Bank are expected to keep interest rates low for an extended period of time, while in China further fiscal and monetary stimulus measures will bolster the economy. Increased optimism about the global environment has also led to a marked improvement in the tone of financial markets. That said, BBVA Research forecasts stable growth in 2020 and 2021 of just over 3%, which is below the growth of previous years following the slowdown observed in 2019.

By country, the slowdown is becoming more evident and widespread in **developed economies** in the 2019-2020 period, but a very gradual recovery is expected in 2021. In the **United States**, growth is likely to continue to slowdown in the short term as a result of poor investment performance as well as a brake on exports due to the global slowdown and the strength of the dollar, despite a more accommodative monetary policy. However, over the course of 2020, growth could return to rates close to potential (2%) as uncertainty subsides. As a result, the US economy is expected to decelerate from 2.9% in 2018 to 2.3% in 2019 and 1.8% in 2020, with a slight improvement in 2021 to 2%. Growth in the **eurozone** suffered throughout 2019 due to weaker global demand and deteriorating industrial production, as well as the burden of reversing the uncertainty associated with the UK's exit from the European Union. Slightly more accommodative economic policies helped to contain the slowdown in the second half of 2019 and maintain domestic demand, while decreased uncertainty surrounding trade and Brexit tensions could contribute to somewhat stronger growth this year. As a result, growth in the eurozone appears to have slowed significantly from 1.9% in 2018 to 1.2% in 2019 and could slow somewhat more gradually in 2020 to 0.9%, before picking up slightly to 1.2% in 2021. This trend will also have an impact on growth in **Spain**, although it will still be higher than that recorded in the eurozone, with a slowdown from 2.4% in 2018 to 1.9% in 2019 and 1.6% in 2020, before rising slightly to 1.9% in 2021.

Growth in **emerging economies** was hampered by the downturn in the global environment. For the 2020-2021 period, the slowdown expected in Asian countries, which are burdened by **China**'s downward trend (from 6.6% in 2018 to 6.1% in 2019, 5.8% in 2020 and 5.5% in 2021), will continue to contrast with the gradual recovery projected for Latin American economies. In 2019, the slowdown was most pronounced in **Mexico** (0.0% compared to 2.1% in 2018) and **Peru** (2.1% after 4.0% in 2018), although a somewhat stronger recovery is expected in 2020 to 1.5% and 3.1%, respectively. In contrast, the strength of domestic demand in **Colombia** allowed the country to better withstand global uncertainties and maintain relatively stable growth in 2019-2021, which is expected to be slightly above 3%. In **Argentina**, the sharp depreciation of the exchange rate and the outflow of capital following the election result led to strong monetary policy restrictions and capital controls, which will lead to a sharp correction in both consumption and investment. In **Turkey**, the recovery that began in early 2019 will be further strengthened by a less restrictive monetary policy following the adjustment of inflation and current account imbalances, which will be reflected in growth of 0.8% in 2019, 4.0% in 2020 and 4.5% in 2021.

Overall, the global scenario predicts a degree of stabilization of growth, supported by the countercyclical policies implemented in most regions, as well as a reduction in uncertainty over 2019, although trade tensions and fears of a disorderly Brexit could resurface during 2020. Moreover, geopolitical and structural risk remain high.

Digitalization, new consumers and sustainability

Digitalization is transforming financial services at a global level. Consumers are changing their purchasing habits through the use of digital technologies, which increase their ability to access financial products and services at any time and from anywhere. Greater availability of information is creating more demanding customers, who expect swift, easy and immediate responses to their needs. And digitalization is what enables the financial industry to meet these new demands.

In this way, the role of technology in the day-to-day life of people and companies is growing steadily, causing notable changes in the technological landscape in areas such as retail banking, artificial intelligence and big data, behavioral economics, the creation of startups, quantum computing or blockchain.

On the other hand, **technology** is the lever for change which allows value proposition to be redefined to focus on the real needs of customers and to provide them with a simple and user-friendly experience without jeopardizing security. In this sense, the **mobile** is presented as the preferred, and often the only tool, enabling customers to interact with their financial entity.

In **retail banking**, the main change is in the way in which clients will access financial services in the future. Regarding access channels, the mobile is essential and will continue to grow, but voice-activated banking services may also become more frequent, which will pose a set of challenges. The automation of financial decisions will be possible through a series of staggered changes in the way in which banks provide services to people, such as automatic savings by rounding up transactions or separating a percentage of the payroll or, autonomous operation, in which the bank does everything for the client to ensure that their savings are managed in the most effective and efficient way possible. Currently, the emergence of large technology companies and digital companies are obliging the financial sector to rethink user experience, with customer trust being fundamental.

Artificial intelligence (AI) and big data are two of the technologies that are driving the transformation of the financial industry. Their adoption by entities translates into new services for customers that are more accessible and agile, and into the transformation of internal processes. AI allows, among other things, personalized products and recommendations to be offered to customers, and decisions to be made more intelligently. **Data** is the cornerstone of the digital economy. The use of algorithms based on big data can lead to the development of new advisory tools for managing personal finances and access to products, which until recently were only available to high-value segments.

Additionally, with **behavioral economics**, tailor-made experiences could be built for each client, with the objective of helping them with their finances, and that they can make better informed decisions according to their needs. It is about integrating what is known about how people make decisions—the real mechanics of what it means to make a decision—into the way of working.

As for the **creation of startups**, financial services could evolve by becoming more closely integrated with other digital experiences. The evolution towards models of platforms and/or ecosystems is consolidated, so that smaller companies can access customers.

Quantum computing will mean a drastic change for financial services, and for broader aspects of the global economy and society in general. The biggest impact is in the field of communications, cybersecurity, as well as in detection equipment, Internet operation, supply chain logistics and other aspects related to scientific research and finance.

Finally, developments in open finance, decentralized finance (DeFi) and **blockchain** have a significant and positive impact on how banking can be increasingly inclusive and at the same time contribute more to sustainability. For example, blockchain and new digital assets could favor sustainability by guaranteeing the traceability of carbon emissions and the equitable distribution of value through digital platforms among all participants (not only among rights holders).

On the other hand, the **digital native generation**, or the millennials, are one of the main drivers of this transformation. Millenials are changing their consumption patterns and even the business culture itself because a significant majority of them put the values of the company where they aspire to work above a salary. They also demand a different way of dealing with banks and the rest of financial institutions. **Mobile banking apps** are their favorite channel of interaction, as they allow them to manage their accounts remotely, whenever and from wherever they want. According to an Accenture study, The Future of Payments, 2017, 69% of millennials use them daily or weekly, compared to only 17% of members of the previous generations. 70% are interested in digital payment advisory services and expense management that can provide them a better understanding and control of their personal expenses.

Likewise, according to the CB Insights report, 2019, Millenials, more than any other generation, are interested in the idea that their investments have a **positive impact** in sustainability and climate change. With a real awareness of these problems, millennials seek to collaborate with those companies that have these premises as part of their ideology.

In this regard, it is important to **connect digitalization and sustainability** to unleash the full potential of the banking sector and the financial system in contributing to the UN's Sustainable Development Goals (SDGs) and the Paris Agreement. One of the main areas in which digitalization is essential for banks to promote sustainable development is **financial inclusion**. Furthermore, the use of sustainability-related data is important if there is to be a progressive integration of environmental and social risks into banks' risk management processes. The use of big data is crucial as data may be used to provide social initiatives that address new challenges for society.

In addition, technological transformation provides an **opportunity** for the financial sector, to the extent that sustainability can no longer be seen as a cost. Traditionally, sustainable solutions offered to customers were more expensive than standard solutions. These solutions can now be more efficient and affordable, moving from a market with limited potential to a larger and effective one. Specifically, the fundamental technological changes in the fields of energy efficiency, renewable energy, efficient mobility and the circular economy, with digitalization as a common denominator and the use of digital information and tools as a key element for improving efficiency in all sectors.

However, these opportunities also bring challenges that are important to face, such as the ability to narrow the digital divide, which will allow for the inclusion of disadvantaged social groups or the reduction of biases that favor fairer situations. In this new scenario it is necessary to work on improving **financial and digital education**, improving technological infrastructures and an adequate regulatory framework.

Regulatory Environment

The regulatory environment of the financial industry during the financial year **2019** was characterized by continuity and focused on completing and implementing previous regulatory initiatives, most of them related to the Basel and crisis management frameworks; the debate on the major ongoing **European projects** such as the banking union, the capital market union and the single digital market continued. Progress was made in regulating reference indices and reforming the EURIBOR, in sustainable finance, and in developing adequate regulation for the use of **new technologies** in the banking sector. In the European Union (EU), the institutions were renewed as a result of the European Parliament elections held in May and the establishment of a new European Commission.

1. Progress in measures to reduce risks in the banking sector

Prudential Framework

The **banking package** for risk reduction, which includes a set of new measures and the revision of other measures already in force, was approved in 2019 with the aim of continuing to reduce risks in the EU banking sector. The new legislative package reviews both the prudential framework (CRR2 and CRD IV) and the framework that governs the restructuring and resolution of banks (BRRD2 and SRMR2), and includes: (i) the incorporation of the latest Basel standards (excluding the completion of Basel); ii) the requirement for Total Loss-Absorbing Capacity (TLAC), which requires that institutions of global systemic importance have a greater capacity for loss absorption and recapitalization; and iii) the incorporation of technical adjustments identified in previous years. There will be a transposition period of 1.5 to 2 years, depending on the regulation, although some regulations will come into force immediately (TLAC for the G-SIIs). The review is reflected in two regulations and two directives, which have been in force since June.

Non-Performing Loans

The European Commission introduced a new prudential requirement that affects loans granted as of April 26, 2019 and in the event that at some point they become considered doubtful. A capital requirement is established for the difference between the prudential requirement and the amount of the provisions constituted, which depends on the age in which the exposures are classified as doubtful and the value of the guarantees provided in the operations.

Measures to reduce risks in banks

In 2019, work was carried out at a technical level so that (i) political negotiations resumed on the European Deposit Insurance Scheme (EDIS); (ii) the legislative text of the European Stability Mechanism (ESM) was drafted, which is likely to become the common backstop to the Single Resolution Fund (SRF) with a maximum allocation of €60,000m; (iii) the first approaches on the harmonization of the national insolvency laws were completed; and iv) initial discussions were held on creating a common risk-free asset, the so-called Sovereign Bond-Backed Security (SBBS). These measures will contribute to reducing risks in EU banks and completing the banking union.

Foreign banking organizations in the United States

The two most important standards published in 2019 for foreign banking organizations (FBOs) operating in the United States are the adjustment of reinforced prudential regulations and the reform of the **Volcker** rule. With regards to the adjustment, considering the bank's exposure in the United States primarily as a measure to decide applicable requirements, smaller entities will benefit from a lower regulatory and supervisory burden, being exempt from standard liquidity requirements, or stress tests, for example. The change in the Volcker rule will mean a lower burden for banks to show they comply with reporting regulations.

2. Progress in the union of capital markets

The European Commission made progress in 2019 in some of its outstanding Capital Markets Union (CMU) action plans. The STS Regulation on securitization was adopted, and the Revision of the Directive and the Covered Bonds Framework (known as cédulas in Spain) was passed to boost both markets. In addition, the European Banking Authority (EBA) issued advice on a proposal to create an STS framework for synthetic securitization. Finally, a set of measures that will affect the prudential supervision of investment services companies and strengthen the coordination and powers of the European Supervisory Authorities were adopted.

On the other hand, **sustainable finance** is part of the capital markets union's efforts to connect finance to the specific needs of the EU's agenda on a carbon neutral economy. In 2018, the European Commission published its Action Plan on Sustainable Finance, and continued its development in 2019 with the presentation of the Reflection Paper: Towards a **Sustainable Europe by 2030**, the preparation of the first reports and the agreement of a common taxonomy. This initiative establishes a common language and is likely to become a classification tool to help investors and companies make environmentally friendly decisions. This taxonomy, which classifies economic activities, can be used for green products and also to identify investment products and strategies that actually finance sustainable activities. Furthermore, the European Parliament approved the proposed **regulation** to establish a framework that enables **sustainable investment** (on a provisional basis), and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) of which the European Central Bank (ECB), the Bank of Spain and the European Banking Authority (EBA), among others, are members, published its first report and its Sustainable and Responsible Investment Guide.

3. Regulation of digital transformation in the financial sector

The digital transformation of the financial sector continued to be a **priority** for the authorities in 2019, who continued to develop and implement the action plans and strategies outlined in 2018. In Europe, the EBA revised its guidelines on outsourcing, which together with other initiatives led by the European Commission, aim to create a harmonized framework at a European level to adopt cloud computing technology in the financial sector. In addition, the EBA and the other European supervisory authorities launched the European Forum for Innovation Facilitators, a network that aims to improve cooperation between national authorities on technological **innovation** issues in the financial sector. The new cybersecurity regulation, which strengthens the powers of the European Union Agency on this topic, also came into force. Furthermore, in Mexico, the financial authorities developed the bulk of a set of laws derived from the Fintech Law this year.

In addition, in 2019 most of the implementation of the technical standards of the new internal market Payment Services Directive in the internal market (**PSD2**) was carried out. This directive regulates access to customer payment accounts by third parties that may offer information-aggregation services and initiate **payments**. The main regulatory milestone in 2019 was the entry into force of third-party authentication and access obligations in September, resulting in increased security for electronic payments. However, some financial institutions will have a transitional period until December 31, 2020.

Another relevant development related to payments in Europe was the adoption of a new regulation to increase **transparency** in cross-border payments. This initiative is joined by the ECB and the European Commission's main concern on how to develop pan-European payment solutions based on the instant payment infrastructure. In Spain, the regulatory framework that establishes the obligation of banks to offer basic payment accounts was completed in the first quarter of the year, and in December the transposal of PSD2 to the national legal framework was completed with the publication of a Royal Decree Law that establishes the legal framework for payment companies and a Ministerial Order that establishes the transparency requirements.

Digitization makes the storage, processing and exchange of large volumes of data possible. Once the regulatory framework for ensuring **data** privacy and integrity was implemented, which in Europe came into fruition with the General Data Protection Regulation (GDPR) - in force since May 2018, in 2019 the discussion focused on how to take advantage of data opportunities. Furthermore, the European Commission identified **Artificial Intelligence** (AI) as a priority, with the aim of increasing the competitiveness of the EU, for which a guide, with principles to ensure that European AI developments are reliable, was published.

Finally, in the field of **crypto assets**, the International Financial Action Group issued recommendations in June 2019 to address the risks of money laundering in this type of activity, especially as new players, including some financial institutions and large technology companies, announced their intention to join the market. In October, a working group led by the G7 published a report that analyzed the impact and regulatory fit of emerging initiatives in the field of so-called stable currencies or stablecoins, which share many traits with traditional crypto assets but seek to stabilize the price of the currency in different ways. Finally, in December, the European Commission and the Basel Committee issued consultation papers on a possible regulatory framework for crypto assets and on the prudential treatment of exposures of financial entities to them, respectively.

4. Reference indices

In 2019, the European institutions continued to work on reforming interest rate indices and transitioning to new alternative indices that are in line with the Reference Index Regulation (EU) 2016/1011. In October, the ECB began publishing the **€STR** (Euro short-term rate)[1], a short-term interest rate of the euro, reflecting the funding cost of euro-zone credit institutions for overnight deposits on the wholesale market. With regard to the EURIBOR, a new hybrid calculation methodology, which includes real transactions, was developed in 2019 to adapt to the new regulatory requirements. This new methodology was approved by the relevant authorities and there will be no need to modify existing contracts.

[1] The €STR will gradually replace the EONIA and will be calculated as a volume-weighted average of individual transactions in the European monetary market that 50 entities must report to the ECB on a daily basis under the Money Market Statistical Reporting Regulation (MMSR) 1333/2014.

In the United Kingdom, the Bank of England has already reformed the **SONIA** (Sterling Overnight Index Average), and the term-SONIA (still pending) is expected to replace LIBOR GBP. Other countries such as the United States, Switzerland and Japan, also began to choose alternative indices to facilitate the transition toward an environment with a lower dependence on IBORs (interbank offered rates). For more information, see the section Regulatory and reputational risks - IBOR Reform within the Risk Management chapter of this Management Report.

5. Brexit

With regards to the outlook of the effect of Brexit on the European financial system, in 2019 work was carried out to develop contingency plans for both financial institutions and regulators (recognition of clearing houses, eligibility of debt instruments, among others).

After the approval of the withdrawal agreement between the United Kingdom and the European Union, the risk of a short-term No-deal Brexit has been eliminated, since the transition period will allow the institutions to operate under the current conditions. After having finished this period (December 31, 2020 or later if an extension, something that the British side has ruled out, will be agreed), the risk of a No-deal Brexit will occur again.

Therefore, 2020 will be a key year for determining how the future relationship between the United Kingdom and the European Union will be. As the time to negotiate a comprehensive trade deal, it is expected that the future relationship regarding financial services is based on an equivalence framework. The political statement that goes along with the withdrawal agreement includes references to the commitment from both sides to evaluate by the middle of the year the possibility to use equivalencies where it should be possible. This could be important to mitigate some of the consequences for the financial system, especially for such sensitive topics like the recognition of clearing houses.

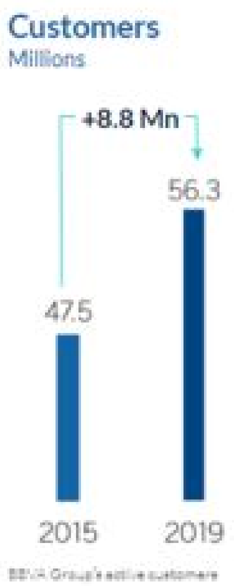
Strategy and business model

BBVA’s Transformation Journey

BBVA boosted its transformation in 2015 with the definition of its **purpose**, six **strategic priorities** and the **values** that have led its strategy in the last years. BBVA’s aspiration was focused on strengthening the relationship with the customer, in order to obtain its trust, managing its finances through a simple and digital value proposition, offering the best customer experience.

In developing its transformation strategy, BBVA has achieved a relevant **progress** in the last years, which has been translated into excellent results in its main metrics.

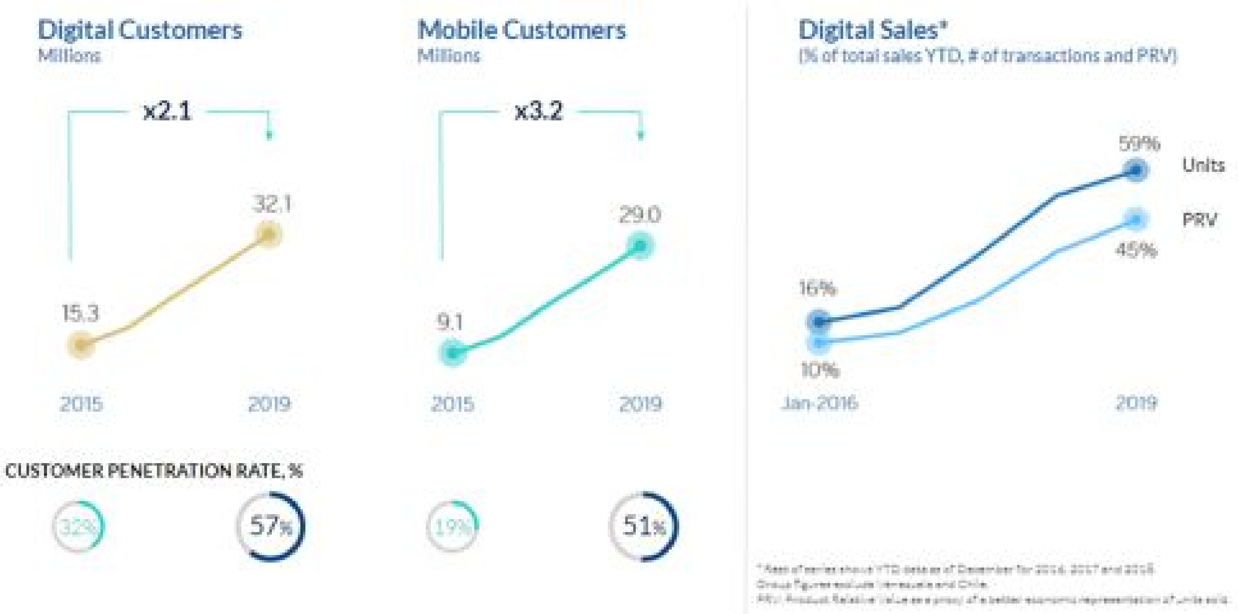
The **client** base has increased and today BBVA has more clients who are even more satisfied and loyal. Its commitment to the client is reflected in a growth of almost nine million (2015-2019) and in the leadership position in the satisfaction index (NPS) in most of the geographies.



BBVA has also made significant advances in the **digitization** of its clients, relationship model and value proposition. Today, more than 50% of the clients regularly use the mobile channel to interact with BBVA, which indicates 2015’s figure has tripled.

Digital channels are accelerating sales growth and client acquisition. Digital sales represented in 2019, in terms of value, 45% of total sales, and almost 60% in units, versus levels of 10% and 16% respectively at the beginning of 2016.

Additionally, BBVA's app has been considered the best mobile app globally in 2019, the third year in a row, according to Forrester Research, followed by Garanti BBVA's app in second place.



BBVA is transforming its way of doing business and its corporate culture. The **values** are at the core of the strategy guiding the Group towards achieving its purpose. Also, BBVA has implemented tools for higher productivity, such as the **Single Development Agenda**, for the prioritization of resources in the execution of projects, and a new "**Agile**" organization model. Additionally, in 2019 BBVA adopted a **common global brand** in order to unify its name and corporate identity in its franchises and offer all its clients a unique value proposition and a homogeneous customer experience, which are distinctive aspects of a global company.

Evolution in the Strategic Priorities

In 2019, BBVA carried out a strategic review process to continue going in depth into its transformation and adapting itself to the major **trends** that are reshaping the world and the financial services industry:

- **A challenging macroeconomic outlook**, characterized by a rising uncertainty at a global level, lower economic growth, low interest rates, increasing regulatory requirements, geopolitical tensions and the emergence of new risks (cybersecurity, etc.).
- **An evolution in clients' behaviors and expectations**. Clients demand more digital, simple and personalized value propositions, based on greater advice to make the best decisions.
- **A strong competitive environment**, where digitization is already a common priority for banks and the role of BigTech companies and ecosystems is rising as they are offering financial services within their global solutions with an excellent customer experience.
- **The general concern in society is to achieve a sustainable and inclusive world**. Climate change is a reality and all the stakeholders (consumers, companies, investors, regulators and public institutions) have set achieving a more sustainable world as a priority. The transition towards that sustainable world has major economic implications and the financial sector must play a very active role to ensure success of this evolution.
- **Data** has become a key differentiation factor and data management generates solid competitive advantages as it enables offering a customized value proposition, improves processes' automation to enhance efficiency and reduces operational risks. Data also entails the management of new risks with relevant implications (privacy, security, ethics, etc.).

In this context, **BBVA's strategy has evolved** with six strategic priorities which aim to accelerate and deepen the Group's transformation and the achievement of its purpose.

BBVA's new strategy is composed of three blocks and six strategic priorities.

1. Improving our clients' financial health

Digitization allows a greater capacity to help clients manage their finances and, overall, to make better financial decisions, through personalized advice based on the use of data and artificial intelligence. BBVA aspires to be the **trusted financial partner** for its clients in the day-to-day **management and control** of their finances in order to help them improve their financial health and **achieve their goals**.

2. Helping our clients transition towards a sustainable future

The transition towards a sustainable economy is today a priority for all stakeholders. BBVA aims to play a relevant role in developing a more sustainable and inclusive world, as society demands, and helping its clients in the transition towards a more sustainable future.

Specifically, BBVA aims to make a significant contribution in the fight against **climate change**, helping its clients in the transition towards a low carbon emissions economy. Besides, BBVA is committed to support an **inclusive economic development**, both through its business and the various social programs fostered by the Group.

From a business standpoint, BBVA aspires to have an impact on its clients' behavior, mainly focusing on the **United Nations' Sustainable Development Goals (SDGs)** in which it can have more impact.

BBVA, as an organization, also aims to lead by example and is committed to meet its sustainable goals ("2025 Pledge").

3. Reaching more clients

BBVA aims to **accelerate its growth**, positioning itself by being where clients are. In the current environment, growth requires a higher presence in **digital channels**, both its own channels and from third parties. Profitability will be a key factor, looking for **profitable and sustainable growth** in the most attractive segments.

4. Operational excellence

BBVA aims to provide an **excellent customer experience at an efficient cost**.

BBVA is focused on a **relationship model** leveraged on digitization, with the goal to have all its products and services digitally available so the commercial network can focus on advice and high value operations. Besides, BBVA is focused on an efficient and productive **operating model** with automated and simple processes from the use of new technologies and data analytics.

Operational excellence also implies **strong management of all risks**, both financial and non-financial, a relevant factor in the current dynamic environment.

The **optimal capital allocation** continues being a key factor in an environment in which capital is still an expensive and scarce resource with increasing regulatory requirements.

5. The best and most engaged team

The **team** continues to be a strategic priority for the Group. BBVA wants to continue boosting employee **engagement and performance** to achieve its purpose. By this, BBVA positions itself as an attractive place to work and for talent attraction.

BBVA is an organization which aspires to have its **purpose and values** at the core of its strategy and the employees' day-to-day, with focus on topics such as diversity, equality and work-life balance.

6. Data and technology

Data management and new technologies are two clear accelerators to achieve the strategy and two generators of opportunities and competitive advantages.

On the one hand, **data** is key in generating a tangible impact in the business and the development of the value proposition. BBVA is carrying out several initiatives to achieve its objective of being a data driven organization. On the other hand, **technology** is an accelerator of value added solutions at an efficient cost.

Values

BBVA is engaged in an open process to identify the Group's values, which took on board the opinion of employees from across the global footprint and units of the Group. These Values define BBVA identity and are the pillars for making its purpose a reality:

- **Customer comes first**

BBVA has always been customer-focused, but the customer now comes first before everything else. The Bank aspires to take a holistic customer vision, not just financial. This means working in a way which is empathetic, agile and with integrity, among other things.

  - **We are empathetic**: we take the customer's viewpoint into account from the outset, putting ourselves in their shoes to better understand their needs.
  - **We have integrity**: everything we do is legal, publishable and morally acceptable to society. We always put customer interests' first.
  - **We meet their needs**: We are swift, agile and responsive in resolving the problems and needs of our customers, overcoming any difficulties we encounter.

- **We think big**

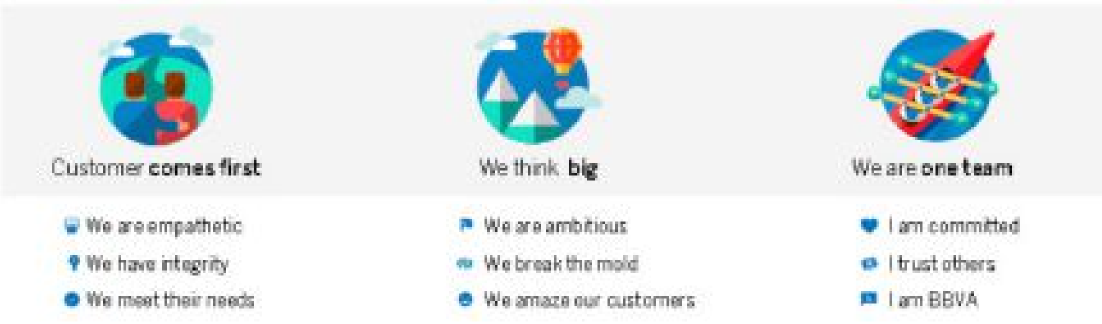
It is not about innovating for its own sake but instead to have a significant impact on the lives of people, enhancing their opportunities. BBVA Group is ambitious, constantly seeking to improve, not settling for doing things reasonably well, but instead seeking excellence as standard.

  - **We are ambitious**: we set ourselves ambitious challenges to have a real impact on people's lives.
  - **We break the mold**: we question everything we do to discover new ways of doing things, innovating and testing new ideas which enables us to learn.
  - **We amaze our customers**: we seek excellence in everything we do in order to amaze our customers, creating unique experiences and solutions which exceed their expectations.

- **We are one team**

People are what matters most to the Group. All employees are owners and share responsibility in this endeavor. We tear down silos and trust in others as we do ourselves. We are BBVA.

  - **I am committed**: I am committed to my role and my objectives and I feel empowered and fully responsible for delivering them, working with passion and enthusiasm.
  - **I trust others**: I trust others from the outset and work generously, collaborating and breaking down silos between areas and hierarchical barriers.
  - **I am BBVA**: I feel ownership of BBVA. The Bank's objectives are my own and I do everything in my power to achieve them and make our Purpose a reality.



The values are reflected in the daily life of all BBVA Group employees, influencing every decision.

The implementation and adoption of these values is supported by the entire Organization, including senior management, launching local and global initiatives which ensure these values are adopted uniformly throughout the Group.In 2019, the values and behaviors were included in all professional development model processes and the Talent & Culture policies, as well as actively present in the quarterly demos (SDA 2.0), both at the global scale and locally, reaching more than 500 shared initiatives to foster corporate culture.

One of the main hallmarks of BBVA is its purpose and values, as well as its status as a data-driven organization, which is to say that decisions are made based on data, ultimately in order to improve the customer experience. In 2019, the Bank made progress in strengthening its distinguishing features by holding the second edition of global **Values Day**, a milestone in BBVA's culture that aims to celebrate, internalize and live its values. More than 82,000 employees participated in this online conference, via its web app, and 37,000 endeavored to showcase the Bank's values with specific behaviors linked to the purpose, thereby compiling more than 10,000 case studies on how to apply the corporate culture. This edition of the conference was also used to reach out to customers, with over 16,000 opinions received, helping to understand the extent to which BBVA meets their current needs and how it can continue helping them in the future.

A new initiative was also created in 2019 to encourage an entrepreneurial attitude in the Group, which emerged from employee feedback on Values Day 2018. The name of this initiative is Values Challenge and it is a program aimed at making employees take an active part in the transformation of the Group, cooperating in the development of projects over a period of two months so that their ideas can be implemented at the Group. The first edition of the program held was attended by 500 employees from around the world.

Materiality

In 2019, BBVA updated its materiality analysis with the intention of prioritizing the most relevant issues for both its key stakeholders and its business. The materiality matrix is one of the sources that feeds the Group's strategic planning and determines the priority issues to report on.

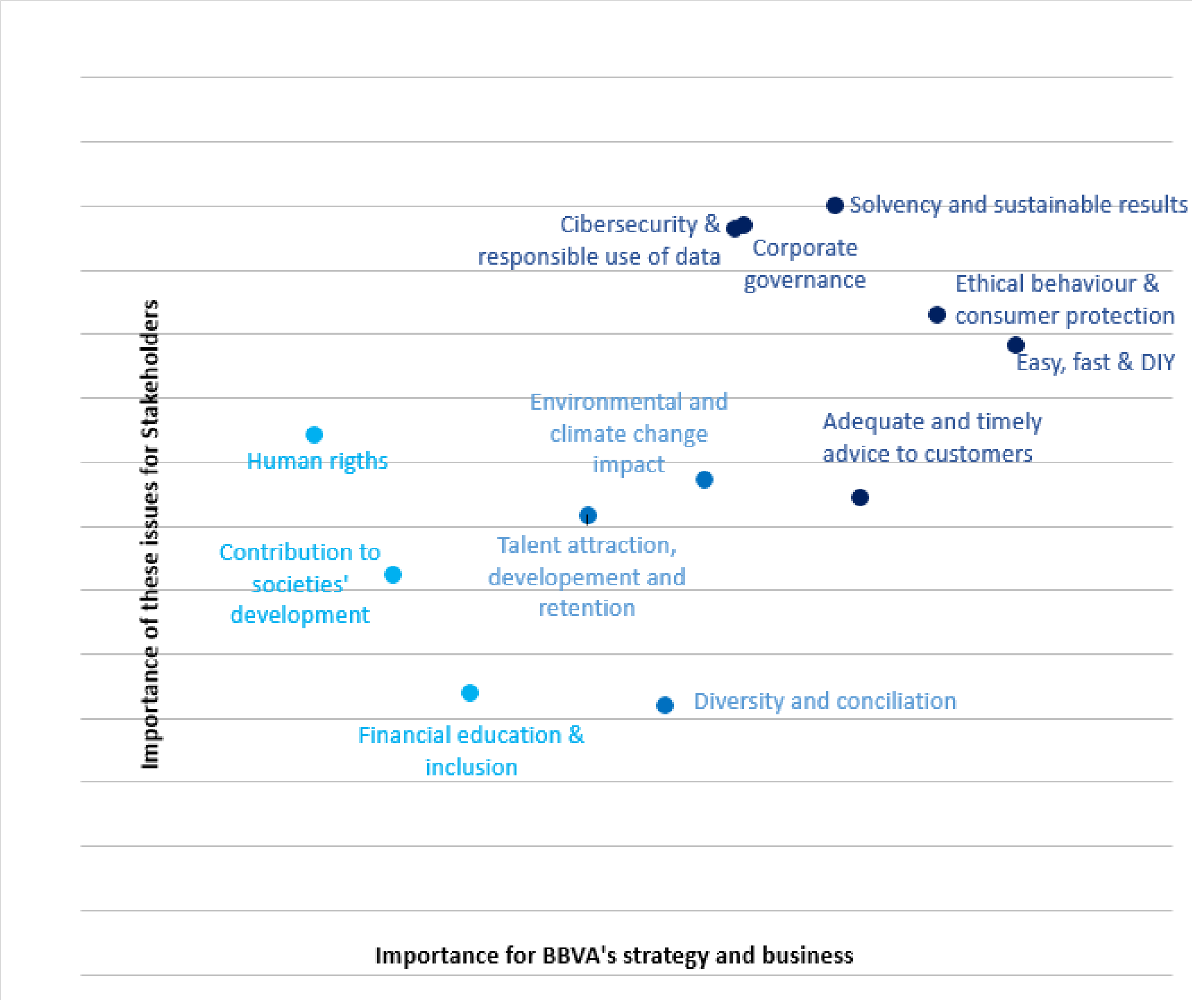
This analysis included this year, specifically issues relevant to BBVA in Turkey. Therefore, the 2019 analysis includes the material issues of Spain, Mexico, the United States, Turkey, Argentina, Colombia, Peru and Venezuela.

The materiality analysis phases have been as follows:

1. Verification of the validity of the list of relevant issues that were identified last year, based on information from the usual listening and dialog tools.
2. Prioritization of issues according to their importance for stakeholders following last year's methodology. BBVA carried out a series of interviews and ad-hoc surveys in the countries covered by the study in order to learn the priorities of various stakeholders (customers, employees, investors). Datamaran was used as a data analysis tool for other stakeholders in all countries except Turkey, where local Turkish sources were used. Together, the sources that made it possible to complete the analysis of stakeholders, global trends and key issues in the sector are:

3. Prioritization of issues according to their impact on BBVA's business strategy. The strategy team has assessed how each issue impacts the six Strategic Priorities. The most relevant issues for BBVA are those that help to achieve its strategy as well as possible.

The result of this analysis is contained in the Group's **materiality matrix**.



Therefore, the six most relevant issues are:

- **Solvency and sustainable results**: Stakeholders expect BBVA to be a robust and solvent bank with sustainable results, thus contributing to the stability of the system. They demand a business model that responds to changes in the context: disruptive technologies, new competitors, geopolitical issues, etc.
- **Ethical behavior and consumer protection**: Stakeholders expect BBVA to behave in a comprehensive manner and to protect clients or depositors by acting transparently, offering products that are appropriate to their risk profile and managing the ethical challenges presented by certain new technologies with integrity.
- **Easy, fast and do it yourself (DIY):** Stakeholders expect to work with BBVA in an agile and simple way, at any time and from anywhere, leveraging the use of new technologies that will allow for greater operational efficiency, generating value for shareholders.
- **Adequate and timely advice to customers**: Stakeholders expect BBVA to provide appropriate solutions to customers' personal needs and circumstances and to proactively help them in the management of their finances and their financial health while providing proactive and excellent customer service.
- **Cybersecurity and responsible use of data**: Stakeholders expect their data to be secure at BBVA and for it to be used only for agreed purposes, always complying with current law. This is essential to maintain trust.
- **Corporate governance**: Stakeholders expect BBVA to have strong corporate governance with an adequate composition of governance bodies, solid decision-making processes, accountability and control processes, which are all well documented.

Information on the Group's performance in these relevant matters in 2019 is reflected in the various chapters of this Management Report.

Responsible banking

At BBVA we have a **differential banking model**, based on seeking out a return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders. It is reflected in the Bank's Corporate Social Responsibility Policy. The policy's mission is to manage the responsibility for the Bank's impact on people and society, which is key to the delivery of BBVA's purpose.

All the Group’s business and support areas integrate this policy into their operational models. The Responsible Business Unit coordinates the implementation and basically operates as a second line for defining standards and offering support.

The four **pillars** of BBVA's responsible banking are as follows:

- Balanced relations with its customers, based on transparency, clarity and responsibility.
- Sustainable finance to combat climate change, respect human rights and achieve the UN Sustainable Development Goals (SDGs).
- Responsible practices with employees, suppliers and other stakeholders.
- Community investment to promote social change and create opportunities for all.

In 2018, BBVA approved its 2025 Pledge to climate change and sustainable development to contribute to the achievement of the Sustainable Development Goals (SDGs) and aligned with the Paris Agreement. This commitment is described in the Sustainable finance chapter.

Customer relationship

Solutions for customers

In recent years, BBVA has focused on offering the **best customer experience**, distinguished by its simplicity, transparency and speed, and increasing the empowerment of customers and offering them a personalized advice.

In order to continue improving customer solutions, the Group's value proposition evolved throughout the year 2019 around seven axis on which global programs were developed, related to both retail projects and companies projects:

- Growth in customers through own and third-party channels.
- Growth in revenue with a focus on profitable segments.
- Value proposition - Differentiation through customer advice.
- Operational efficiency.
- Data-focused capabilities and enablers.
- New Business Models.
- A Global Entity.

These solutions can be divided into two large groups: Those that allow the customer to access the services in a more **convenient and simple** way (Do it yourself - DIY) and those that provide customers with **personalized advice**, offering them products or information specific to their current situation. These last two items are particularly important in the new strategic related to the commitment to **improve** customers' **financial health**.

Solutions for customers in 2019 include the following:

- The DIY mobile banking platform **GLOMO** stands out in the **retail banking** (individuals and SMEs) area. This solution is constantly being improved by features such as 100% digital registration: Using biometrics, the user can be identified from one of their unique physical characteristics, such as the face, voice or fingerprint, and this makes the digital registration process simpler and easier. At the same time, this platform allows us to offer advice solutions, maximizing the number of customers reached. Examples of these solutions include Program your account, which allows customers to set rules in managing their finances, or My Travel, a digital solution available in Spain and Uruguay, which allows customers to control their travel expenses via a custom dashboard.
- BBVA has solutions for **companies**, which allow clients to interact with the Bank as legal entities in the manner that most suits their needs. One of these solutions is the Digital Client Acquisition (DCA), a fully digital enterprise registration process for SMEs, that allows opening a fully operational account and digital channel in just 10 minutes, thanks to the use of the Spanish legal digital certificate or "Netcash", an application that has been launched in several countries.

BBVA's **customer solutions** are leveraged on the improvement of design capabilities and the use of data for analysis. They also contribute positively to increasing digital sales and improving the main customer satisfaction indicators, such as the Net Promoter Score (NPS), shown in the following section, and the drop-out ratio.

BBVA therefore occupies the first positions in the NPS, which is reflected in the retention data, which show a positive evolution in the levels of customer drop-outs (retail customers and SMEs) and a greater commitment from digital customers, whose drop-out rate is 49.7% lower than non-digital customers.

Likewise, the data of Group total **active customers** is also showing a positive trend with an increase of 3.1 million in 2019 (+8.8 million since 2015), with positive developments in all the countries in which BBVA is present.

Net Promoter Score

The internationally recognized **Net Promoter Score** (NPS) methodology, measures customers' willingness to recommend a company and therefore, the level of satisfaction of BBVA's customers with its different products, channels and services. This index is based on a survey that measures on a scale of zero to ten whether a bank's customers are promoters (a score of nine or ten), passives (a score of seven or eight) or detractors (a score of zero to six) when asked if they would recommend their bank, a specific channel or a specific customer journey to a friend or family member. This information is vital for checking for alignment between customer needs and expectations and implemented initiatives, establishing plans that eliminate detected gaps and providing the best experiences.

The Group's consolidation and application of this methodology over the last nine years has led to a steady increase in customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

As of December 2019, BBVA ranked first in the retail NPS indicator in six countries: Spain, Mexico, Argentina, Colombia, Peru and Paraguay, and second in Turkey and Uruguay, while in the commercial NPS indicator BBVA ranked the leading position in six countries: Mexico, Argentina, Colombia, Peru, Paraguay and Uruguay.

Transparent, Clear and Responsible Communication

Transparency, Clearness and Responsibility (**TCR**) are three principles that are systematically integrated into the design and implementation of the main solutions, deliverables and experiences for customers.

The **objectives** pursued are designed to help customers make good life decisions, maintain and increase their confidence in the Bank and increase their recommendation rates.

Three work lines have been developed to turn these principles into reality:

- Implementing the TCR principles in new digital solutions through the participation of TCR experts in the conceptualization and design of these solutions, especially in massive impact solutions for retail customers (mobile apps, digital contracting processes, consumer finance solutions, etc.).
- Incorporating the TCR principles into the creation and maintenance of key content for customers (product sheets, contracts, sales scripts and responses to claim letters).
- Awareness raising and training on TCR throughout the Group, through workshops, online training and a virtual community.

After the advances in transparency and clarity in recent years, the emphasis in 2019 was on promoting **financial health**, particularly in new digital solutions. Financial health is defined as the dynamic relationship between health and personal finance and is reached when the individual makes decisions and adopts behaviors, routines and habits that allow them to be in a better financial situation to overcome crises and achieve their objectives. Financial and economic resources affect physical and social wellness.

The project is **coordinated** by a global team working together with a network of local owners located in the main countries in which the Group is present, and various departments and individuals from the Entity participate in its implementation.

Indicators

BBVA uses an indicator, the **Net TCR Score** (NTCRS), which is calculated following the same methodology of the NPS and allows measuring the degree to which customers perceive BBVA as a transparent and clear bank, compared to its peers, in the main countries where the Group is present. As of December 2019, BBVA ranked first in the NTCRS indicator in five countries: Spain, Argentina, Peru, Uruguay and Paraguay, and the second in Mexico, Turkey and Colombia.

In 2019, a financial health indicator, Net Financial Health Score (NFHS) was incorporated, which, like the previous one, is calculated following the same methodology of the NPS and allows measuring the degree to which customers perceive if BBVA supports them in looking after their personal finances compared to its peers. As of December 2019, BBVA ranked first in the NFHS indicator in four countries: Spain, Mexico, Colombia and Peru, and second in Turkey and Argentina. This indicator is on implementation phase in Uruguay and Paraguay.

Customer care

Complaints and claims

BBVA has a claims management model based on two key aspects: the agile resolution of claims and, most importantly, the analysis and eradication of the causes' origin. This model is part of the BBVA Group's overall customer experience strategy, having a very significant impact on improving the different customer journeys and positively transforming the customer experience.

In 2019, the Group's various claims units worked to reduce response times, improve clarity of such responses and proactively identify potential problems to prevent them from becoming a cause of large claims. BBVA seeks to find a quick solution to problems with the aim of improving customer confidence through a simple and agile experience and with a clear and personalized response.

In short, the management of complaints and claims at BBVA is an opportunity to strengthen customers' confidence in the Group.

MAIN INDICATORS OF CLAIMS (BBVA GROUP)

	2019	2018
Number of claims before the banking authority for each 10.000 active customers	8.69	9.40
Average time for setting claims (natural days)	6	7
Claims settled by First Contact Resolution (FCR) (% over total claims)	23	26

The volume of claims for every 10,000 active customers registered in 2019 decreased by 2.7% compared to the 2018 figure, basically as a result of the improvements implemented in the claims management process in the Group, especially in Spain and in Mexico. The latter country, as a consequence of its largest customer base, is the one that records the largest number of claims.

CLAIMS BEFORE THE BANKING AUTHORITY BY COUNTRY (NUMBER FOR EACH 10.000 ACTIVE CUSTOMERS) [(1)]

	2019	2018
Spain	1.48	3.54
The United States	4.08	4.56
Mexico	14.63	17.94
Turkey	4.46	4.03
Argentina	0.09	1.11
Colombia	33.51	21.56
Peru	4.05	1.19
Venezuela	0.16	0.47
Paraguay	0.07	1.19
Uruguay	0.40	0.68
Portugal	14.52	21.92

Scope: BBVA Group.

[(1)] The banking authority refers to the external body in which the customers can complain against BBVA.

The Group's **average claim resolution time** improved at 6 days in 2019, with an improvement of 1 day, specifically in Spain, the United States and Peru.

AVERAGE TIME FOR SETTING CLAIMS BY COUNTRY (NATURAL DAYS)

	2019	2018
Spain	8	10
The United States	3	5
Mexico	6	5
Turkey	4	2
Argentina	8	7
Colombia	6	5
Peru	7	9
Venezuela	16	14
Paraguay	11	6
Uruguay	8	7
Portugal	3	3

Claims settled by the First Contact Resolution (FCR) model, which consists in the resolution of the claim in the first notice, and account for 23% of total claims, thanks to the fact that the management and handling of these claims aims to reduce resolution times and increase the service quality, thus improving the customer experience.

CLAIMS SETTLE BY FIRST CONTACT RESOLUTION (FCR. PERCENTAGE OVER TOTAL CLAIMS)

	2019	2018
Spain (1)	n.a.	n.a.
The United States	46	54
Mexico	21	30
Turkey (2)	35	38
Argentina	48	21
Colombia	37	69
Peru	5	8
Venezuela	n.a.	n.a.
Paraguay	n.a.	39
Uruguay	14	14
Portugal (3)	n.a.	n.a.

n.a. = not applicable.
(1) In Spain, a FCR type called IRR (Inmediate Resolution Response) applies to credit card incidents, but not to claims.
(2) In turkey, the weighting is calculated by the total number of customers.
(3) This kind of management does not apply in Portugal.

Customer Care Service and Customer Ombudsman in Spain

In 2019, the **activities** of the Customer Care Service and Customer Ombudsman were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of Economy, regarding customer care and consumer ombudsman departments of financial institutions, and in compliance with the competencies and procedures outlined in BBVA Group's Regulation for Customer Protection in Spain, approved on July 23, 2004 by the Bank's Board of Directors, and subsequent modifications, the last one being at the end of 2019 with regard to regulation of the activities and competencies, **complaints and claims** related to the Customer Care Service and Customer Ombudsman.

Based on the above regulations, the **Customer Care Service** is in charge of handling and resolving customers' complaints and claims regarding products and services marketed and contracted in Spanish territory by BBVA Group entities.

On the other hand, and in accordance with the aforementioned regulation, the **Customer Ombudsman** is made aware of and resolves, in the first instance, all complaints and claims submitted by the participants and beneficiaries of the pension plans. It also resolves those related to insurance and other financial products that BBVA Group Customer Care Service considers appropriate to escalate, based on the amount or particular complexity, as established under article 4 of the Customer Protection Regulation. And in the second instance, the Customer Ombudsman is made aware of and resolves the complaints and claims that the customers decide to submit for their consideration after their claim or complaint has been dismissed by the Customer Care Service.

Activity report on the Customer Care Service in Spain

The Customer Care Service works to detect recurring, systemic or potential problems in the Entity, in compliance with **European** claims **guidelines** established by the relevant authorities, the ESMA (European Securities Market Authority) and the EBA (European Banking Authority). Its activity, therefore, goes beyond merely managing claims, but rather, it works to prevent them and in cooperation with other BBVA departments.

The main types of claims received in 2019 have been, as in previous years, related to mortgage loans. Furthermore, the Customer Care Service team conducted a **training** course this year on Law 5/2019 of March 15, which regulates real estate credit contracts. The aim was to gain an understanding of the new features of the law and thus ensure the managers have an adequate understanding of it.

Claims of customers admitted to BBVA's Customer Care Service in Spain amounted to 85.879 cases in 2019, 82.531 of which were resolved by the Customer Care Service itself and concluded in the same year, which represents 96% of the total. As of December 31, 2019, 3.348 were pending analysis. On the other hand, 17.128 claims were not admitted for processing as they did not meet the requirements set out in OM ECO/734. 35% of the claims received corresponded to mortgage loans, mainly mortgage arrangement expenses.

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE BY COMPLAINT TYPE (PERCENTAGE)

Type	2019	2018
Resources	35	29
Assets products	24	39
Insurances	3	3
Collection and other services	5	5
Financial counselling and quality service	5	4
Credit cards	16	13
Securities and equity portfolios	1	1
Other	11	6
Total	**100**	**100**

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (NUMBER)

	2019	2018
In favor of the person submiting the complaint	38,045	25,970
Partially in favor of the person submitting the complaint	11,449	18,563
In favor of the BBVA Group	33,037	37,093
Total	**82,531**	**81,626**

Activity report of the Customer Ombudsman in Spain

One more year, the Customer Ombudsman, along with the BBVA Group, once more achieved the objective of unifying criteria and favoring customer protection and security, making progress in compliance with transparency and customer protection regulations. In order to efficiently translate their observations and criteria on the matters submitted for their consideration, the Ombudsman promoted several meetings with the Group's areas and units: Insurance, Pension Plan Management, Business, Legal Services, etc.

In this sense, the Customer Ombudsman has been holding a **Claims follow-up committee** on a monthly basis, with the main objective of keeping a permanent dialog with the BBVA Services that contribute to positioning the Group in relation to its customers. The Directors of Quality, Legal Services and the Customer Care Service attend this committee. Likewise, the Customer Ombudsman participates in the **Transparency and good practices committee**, in which the Bank's actions are analyzed, in order to adapt them to the regulations on transparency and good banking practices and standards.

In 2019, 3,330 customer **claims** were filed at the Customer Ombudsman Office (compared to 3,020 in 2018). Of these, 70 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 207 were pending as of December 31, 2019.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE BY COMPLAINT TYPE (NUMBER)		
Type	**2019**	**2018**
Insurance and welfare products	808	753
Assets operations	794	709
Investment services	173	146
Liabilities operations	515	753
Other banking products (credit card, ATMs, etc.)	707	437
Collection and payment services	140	106
Other	193	116
Total	**3,330**	**3,020**

The categorization of the claims managed in the previous table follows the criteria established by the Complaints Department of the Bank of Spain, in its requests for information.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE ACCORDING TO RESOLUTION (NUMBER)		
	2019	**2018**
In favor of the person submiting the complaint - Formal resolution	-	-
Partially in favor of the person submitting the complaint - Estimate (in whole or in part)	1,794	1,482
In favor of the BBVA Group - Dismissed	1,259	1,290
Processing suspended	-	1
Total	**3,053**	**2,773**

57.4% of customers who brought claims before the Customer Ombudsman during the course of the year obtained some type of satisfaction, total or partial, by resolution of the Customer Ombudsman Office in 2019. Customers who are not satisfied with the Customer Ombudsman's response can go to the official **supervisory bodies** (the Bank of Spain, the CNMV and General Directorate of Insurance and Pension Funds). 274 claims were filed by customers to supervisory bodies in 2019.

The BBVA Group continues making progress in the implementation of the different recommendations and suggestions of the Customer Ombudsman with regard to adapting products to the customer profiles and the need for transparent, clear and responsible information throughout the year. In 2019, these recommendations and suggestions focused on raising the level of **transparency and clarity** of the information that the Group provides for its customers, both in terms of commercial offers available to them for each product, and in compliance with the orders and instructions thereof, so that the following is guaranteed:

- an understanding by customers of the nature and risks of the financial products offered to them,
- the suitability of the product for the customer profile, and
- the impartiality and clarity of the information that the Entity targets at customers, including advertising information.

In addition, and with the advance in the digitalization of the products offered to customers together with the increasing complexity thereof, special sensitivity is required with certain groups that, due to their profile, age or personal situation, present a certain degree of vulnerability.

Technology and innovation

BBVA aspires to be the most trusted Bank to give financial advice to all of its customers. To achieve this goal, technology plays a key role, making available to the business areas the necessary capacities to meet this challenge and offering customers reliable and secure solutions. Thus, technology allows to offer reliable and secure solutions to all customers, from the most digitized to the most traditional. This strategy is focused on incorporating the new capabilities that technology offers in BBVA to make them available to customers while operating in the most efficient and reliable way possible. All this through four lines of action:

- Reliability and productivity, that is, to obtain the best technological performance and to do it reliably, guaranteeing the highest quality standards,
- Based on our new technological stack that allows us to offer customers the most advanced technology and the most adjusted service to their needs in a timely manner,
- Dispose of a strong cybersecurity strategy to face the increase in cybercrime threats,
- Help BBVA achieve operational excellence through initiatives to streamline and automate processes.

Reliability and productivity

One of the main results of BBVA's digital transformation is to improve the reliability of the services provided to customers and increase the productivity of both day-to-day operations and the ability to create new products. For this, the technology with which the Bank works is transformed in terms of:

- Processing
    - Reliability and cost infrastructure pieces based on the cloud paradigm were created. In 2019, Spain processed half of its activity in said infrastructure.
    - These parts are already available, being used globally, and have been optimized to ensure that they can continue to operate reliably during their lifetime and with decreasing unit costs.
- Software development: global and multilocal functionalities have been developed, which are reused by different banks of the Group, and the degree of automation is increasing the technological stack.

In addition, the creation of a network of strategic alliances that contribute to the progress of the transformation continues to be promoted from the Engineering & Organization area. In this sense, an ecosystem of strategic agreements with some of the reference companies in their respective fields has been established, ensuring the adoption of innovative technologies, the digitalization of the business, the speed of action, and a global deployment of solutions. In recent years, alliances have been established with industry leaders, who have helped to operate and optimize BBVA's current technology globally, and with start-up companies that, due to their potential, aimed to become market leaders in specific capacities.

New technological stack: cloud paradigms

Due to the increasing use of digital channels by customers and, consequently, the exponential increase in the number of interactions with them, BBVA has evolved and continues to evolve its information technology (IT) model towards a more homogeneous, global and scalable one, that drives cloud technologies.

In 2019, the new platform has become a reality for five countries, which enables BBVA to launch developments in new, more global and reusable technologies, increasing thereby productivity. This new technological stack shares with the cloud the attributes of flexibility and stability that the digital world demands, but in perfect harmony with the strict compliance of the regulation.

Cybersecurity

In the current context of increased threats associated with cybersecurity, BBVA focused on protecting both, the information systems of the business areas and data.

In this sense, traditional capabilities that focus on the protection of the perimeter and information systems have been maintained, and advanced threat intelligence and adaptive cybersecurity capabilities have been introduced to protect the human factor (employees, customers and other stakeholders), which are considered the weakest links in any cyber defense system, and implement security systems with a holistic approach that cover the entire life cycle of business processes.

For its part, data protection is an element in BBVA. To this aim, defense, resilience and recovery strategies have been defined in three axes: data as representation of financial assets, bank processes and as a record of the identities and personal information of customers and employees.

For more information about cybersecurity, refer to the section “Customer security and protection” below.

Operational excellence

Engineering & Organization area helps to transform the way of working in BBVA, through projects of transformation of processes, operations and culture. Since 2017, initiatives, that are reporting solid improvements, are being carried out throughout the Group to reduce the operating load in the business areas. The objective is to achieve the automation of end-to-end processes as from 2020. Additionally, the area led the agile transformation in the Bank, which allows it to be more productive while reducing time to market in the development of solutions.

Customer security and protection

BBVA’s Corporate Security area is responsible for ensuring the adequate management of information security, establishing security policies, procedures and controls relating to the security of the Group’s global infrastructures, digital channels and payment methods through a holistic and intelligence-based approach to dealing with threats.

BBVA’s information security strategy is based on three fundamental pillars: Cybersecurity, data security and fraud. A program has been designed for each of these three pillars, with the aim of reducing the risks identified in the developed taxonomy. These programs are reviewed to assess progress and the effective impact on the Group’s risks.

In 2019, the **security measures** adopted continued to be reinforced in order to guarantee the effective protection of the information and assets that support the Bank’s business processes. The implementation of these measures, which are necessary to mitigate the security risks to which the Group is exposed, was carried out from a global perspective and with a comprehensive approach, considering not only the technological field, but also those related to people, processes and security governance.

This reinforcement of security measures includes measures designed to protect business processes in a comprehensive manner, addressing issues related to logical and physical security, privacy and fraud management. They are also designed to ensure compliance with security and privacy principles in the design of new services and products, and to improve access control and customer authentication services associated with the provision of online services, both from the point of view of security and from that of the customer experience, with a focus on cell phones, in line with BBVA’s digital transformation strategy.

Some of the **initiatives** undertaken over the year to improve security and customer protection at BBVA include:

- the deployment of the new global tokenization platform, which allows for improved security for mobile payments by protecting card numbers,
- the implementation of strong authentication (using two of the three available factors: something you have, something you know, and something you are) for account access and payment initiation, in line with the requirements of the Payment Services Directive (PSD2),
- the implementation of behavioral biometrics to improve analytical and fraud detection capabilities across mobile channels, and
- launching a section with security tips in order to raise awareness and train customers on the main cybersecurity risks so that they know how to prevent or manage potential threats.

Communication and training activities in the area of security and privacy have also continued, through training and awareness activities aimed at all employees, customers and the general public through the online channels of bbva.com and the social networks.

Cybersecurity

Regarding cybersecurity, the Global Computer Emergency Response Team (CERT) is the Group’s first line of detection and response to cyber-attacks targeting global users and the Group’s infrastructure, combining information on cyber threats from our Threat Intelligence unit. The Madrid-based Global CERT is made up of approximately 200 people and provides services in all the countries in which the Group operates. CERT operates according to a service catalog model for each country, under a managed security services scheme for the Group, comprising around 60 different competencies within the catalog. Global CERT is operational 24x7, with lines of operation dedicated to fraud and cyber security.

In 2019, the Group detected an increase in the number of attacks, accentuated by the presence of organized crime groups specializing in the banking sector and working across several countries. The Group also detected a large increase in phishing attacks on retail customers, involving attempted fraud and identity theft.

As cyber-attacks evolve and become more sophisticated, the Group has strengthened its prevention and monitoring efforts.

Accordingly, **system monitoring** capabilities have been increased, with particular attention being paid to the critical assets that support business processes in order to prevent threats from materializing and, where appropriate, to immediately identify any security incidents that may occur. Incident prevention, detection and response capabilities have also been strengthened through the use of integrated information sources, improved analytical capabilities and the use of automated platforms.

The implemented measures allow for improved information security management through a predictive and proactive approach, based on the use of digital intelligence services and advanced analytical capabilities. These measures are designed to ensure an immediate and effective response to any security incident that may occur, with the coordination of the different business and support areas of the Group involved, the minimization of possible negative consequences and, if necessary, timely reporting to the relevant supervisory or regulatory bodies.

BBVA also reviews, reinforces and tests its security processes and procedures through simulation exercises in the areas of physical security and digital security. The outcome of these exercises forms a fundamental part of a feedback process designed to improve the Group's cyber security strategies.

Data protection

In the area of **personal data protection**, 2019 has seen BBVA consolidate the integration of new regulatory requirements for data protection in all areas and processes of the Bank. Among other actions, corporate tools were implemented in order to effectively facilitate compliance with specific requirements arising from the General Data Protection Regulations; new specific internal rules on this matter, which are mandatory at BBVA, were also adapted and approved.

Work has been carried out since last year on the adaptation processes of Organic Law 3/2018, of December 5, on Personal Data Protection and the guarantee of digital rights, an effort that culminated in 2018 with the project for the implementation of the General Data Protection Regulations (GDPR), in the Group's companies and branches and, in 2019, progress was made with the implementation of the necessary IT developments and procedures that confirm BBVA's determination to comply with the data protection **regulations** integrated into the Bank's day-to-day operations. It is a continuous and living process, which means that each new product or service must comply with privacy requirements in its design, requiring a firm commitment to ensure respect for the fundamental right to the protection of personal data. The protection of personal data in other areas related to suppliers and employees was also reinforced with protocols in line with this regulation.

In its role as a control specialist, in 2019 the **Data Protection Officer** developed and launched a testing plan to periodically review the processes with the greatest impact on data protection in the Group, as identified by the unit itself. This unit intensified communication and awareness activities for the entire Organization, aiming to promote and recognize the importance of this matter within the purpose of our entity as a Data Driven Bank, and actively participated in international forums and events where data protection issues are addressed from a multinational and multidisciplinary perspective, with representation from supervisory and regulatory bodies.

Fraud prevention

Cyber security efforts are often closely coordinated with fraud prevention efforts and there are considerable interactions and synergies between the relevant teams. As part of the efforts to monitor the evolution of fraud and actively support the deployment of appropriate anti-fraud policies and measures, a Corporate Fraud Committee exists to monitor the evolution of all types of external and internal fraud in all countries in which the Group operates. Its functions include: (i) actively monitoring fraud risks and fraud mitigation plans; (ii) assessing the impact of fraud risks on the Group's businesses and customers; (iii) monitoring relevant fraud facts, events and trends; (iv) monitoring cumulative fraud cases and losses; (v) conducting internal and external benchmarking; and (vi) monitoring relevant fraud incidents in the financial industry.

The Corporate Fraud Committee is chaired by the head of Engineering & Organization. The Committee is convened three times a year. The composition of this committee includes representatives from several units (in particular, Global Risk Management - Retail Credit, Global Risk Management - Non-Financial Risks, Finance, Internal Audit, Corporate Security, Client Solutions - Payments, Country Monitoring and Engineering Deployment).

Lastly, the area of **Business Continuity**, ensures BBVA's capacity to continue delivering products and services to its customers in case of a serious security incident or disaster occurs. In 2019, work was carried out along several working lines, including the improvement of the Group's continuity management system, the review of numerous business impact analyses, the publication of the updated Corporate Business Continuity Management Standards and progress in the analysis of technological dependencies, especially in the study of essential critical services. Each year, BBVA carries out simulation exercises in order to increase awareness and prepare certain key employees, including e-surveillance services for the fingerprints of key employees, in order to minimize these risks.

Staff information

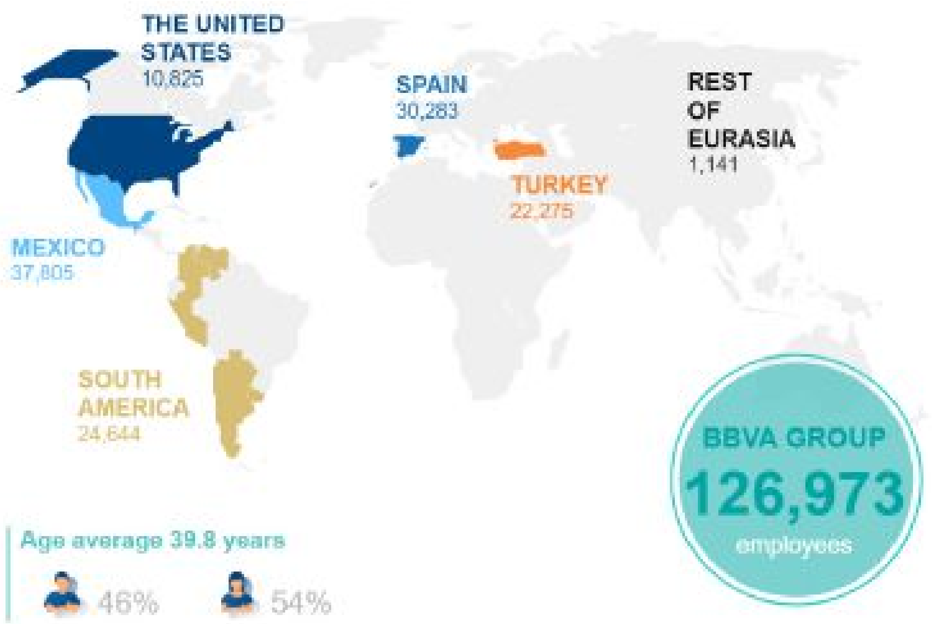
People management

BBVA's most important asset is its team, the people that make up the Group. For this reason, the team continues to be a strategic priority (**the best and most committed team**). In this sense, BBVA continues promoting the commitment and performance of employees to achieve its purpose, accompanying its transformation strategy with different initiatives in matters related to staff, such as:

- The creation of a **professional development** model in which BBVA's employees are the main players, and which is more transversal, transparent and effective, in such a way that each employee can play the role that best suits their profile in order to contribute the greatest value to the Organization, in a committed manner and with a focus on their training and professional growth.
- The strengthening of the **agile organization** model, in which teams are directly responsible for what they do, working based on customer feedback, and are focused on delivering the solutions that best meet current and future customer needs.
- The reinforcement of new **knowledge and skills** that were not previously common in the financial sector, but which are key to the new phase in which the Group finds itself (data specialists, customer experience, etc.).
- The strengthening of a corporate culture of collaboration and entrepreneurship, which revolves around a set of **values** and behaviors that are shared by all those who make up the Group and which generate certain identity traits that differentiate it from other entities.

All this makes BBVA a purpose-driven organization, that is, a company that defines its position in order to improve the world and that encourages its employees to feel proud in their workplace, guiding them in the practice of the Bank's values and behaviors in order to achieve its purpose.

As of December 31, 2019, the BBVA Group had 126,973 employees located in more than 30 countries, 54% of whom were women and 46% men. The average age of the staff was 39.8 years. The average length of service in the Organization was 10.6 years, with a turnover of 7.6% in the year.



The workforce of the BBVA Group remains in 2019 at similar levels as in the previous year (+1.1%). By areas, there were greater growths in Mexico (+ 4.7%) and in Turkey (+1.3%) that were offset by decreases in the United States (-1.5%) and South America (-1.6%), staying almost without variation in Spain (- 0.2%) and in the rest of Eurasia (+ 0.2%).

Professional development

The **people development** model was consolidated and rolled out in 2018, a process that culminated with the global launch of a new people assessment system. All Group employees were invited to participate in this system in a 360º review. The assessments resulting from this process were the basis for building the BBVA **talent map**, on which the BBVA employees differentiated management policies rests.

The above together with the identification and assessment of the existing roles in the Group makes it possible to get to know the professional possibilities of the employees even better, as well as to establish individual development plans, which promote functional mobility and professional growth in an open environment.

Recruitment and development

In 2019, 20.494 professionals joined the Group as part of a strategy to attract, recruit and incorporate profiles with the new skills required by BBVA as part of its transformation process.

Programs developed in several countries using this approach throughout the year stand out, such as the second edition of the global Young Data Professionals #YDP program, in which 100 young people from Spain, Argentina, Colombia and Mexico participated. This program allowed participants to apply their knowledge and learn new skills in **real projects** with strong, multidisciplinary teams. They receive top-level training, both in their specialty and in transversal skills, and are accompanied at all times by mentors who drive their development. Using this same format of attraction other programs were developed such as Future Designers in Spain, which trained 5 designers for 5 months, as well as other programs for young engineering talent in Mexico and Peru, in which 50 young people participated.

Thanks to brand positioning actions and the promotion of available professional **opportunities** at BBVA through various channels, it was possible to attract over 200.000 candidates. All this is carried out under a global reference model for attracting talent, with clear policies that strengthen transparency, trust and flexibility for all stakeholders involved in the process.

In 2019, a global scorecard was introduced to measure compliance levels with each of the **internal mobility** policies, ensuring their follow-up and commitment to compliance in each of the geographical and global areas in which BBVA operates.

Training

During 2019, BBVA's training focused on promoting a culture of **continuous learning**. To this end, the B-Token model was developed in which each employee of the Group is able to select and access training of their choice. The transformation of the training model represented a genuine revolution in training, allowing the employee to be the true protagonist of their development.

In 2019, the training resources catalog was updated with the inclusion of content linked to new skills required in BBVA. Thus, more than 62.000 employees were online trained on subjects top in the development of new capabilities, such as Agile, Behavioral Economics, Data or Design Thinking, while training on values and legal requirements continued to be a core aspect of the Group's training. In addition, the training linked to the MIFID or Real State Credit Contracts (LCCI) Directives standing out, with 12,813 and 11,288 employees trained in the year, respectively.

The online channel continued to be the preferred training channel, accounting for 66% of training in 2019. Its flexibility allows the professional to choose what, when and how they want to be trained. BBVA has a unique platform within the Group that allows for instant access to the entire staff and which features resources in different formats: courses, videos, materials, gamification, MOOCs (Massive Open Online Course) available in English and/or Spanish.

BASIC TRAINING DATA (BBVA GROUP)

	2019	2018
Total investment in training (millions of euros)	47.8	49.5
Investment in training per employee (euros) (1)	376	394
Hours of training per employee (2)	42,4	47.3
Employees who received training (%)	90	88
Satisfaction with the training (rating out of 10)	9.2	9.3
Average participations per employee	26	21
Amounts received from FORCEM for training in Spain (millions of euros)	3.2	3.3

(1) Ratio calculated considering the Group´s workforce at the end of each year (126,973 in 2019 and 125,627 in 2018).

(2) Ratio calculated considering the workforce of BBVA with access to the training platform.

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. 2019)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [(1)]	1,395	1,071	324	61,020	47,125	13,895
Middle controls	7,183	4,310	2,873	254,386	149,743	104,643
Specialists	28,152	14,068	14,084	1,109,995	586,271	523,724
Sales force	35,940	16,517	19,423	2,398,443	1,055,769	1,342,673
Base positions	21,236	7,991	13,245	671,504	259,553	411,951
Total	**93,906**	**43,957**	**49,949**	**4,495,348**	**2,098,462**	**2,396,886**

[(1)] The management team includes the highest range of the Group´s management.

Diversity and inclusion

At BBVA, diversity and inclusion are firmly aligned with the purpose and are in keeping with our values. BBVA is committed to diversity in its workforce as one of the key elements in attracting and retaining the best talent and offering the best possible service to its customers.

In terms of gender **diversity**, women make up 53.7% of the Group's workforce and hold 22.9% of management positions, 30.6% of technology and engineering positions, and 56.6% of business and profit generation positions.

In 2019, several **initiatives** were launched to support gender diversity:

- Making female talent more visible, with the aim of identifying and supporting high-potential women more effectively through training, networking, coaching and mentoring programs. An Employee Resource Group (ERG) was also launched to support gender diversity, made up of male and female Group employees.
- Eliminating biases in key processes, through online and face-to-face training on unconscious biases and analysis of internal and external interview processes and promotion processes.
- Leveling the playing field in order to balance the professional possibilities between men and women, for which a new model for conciliation was promoted, policies regarding maternity and paternity were reviewed, and collaboration with external communities was encouraged.

Furthermore, in order to ensure a **diverse and inclusive working environment**, BBVA is working on various initiatives to support the LGTBI (lesbian, gay, bisexual, transgender and intersex people) community through the ERG Be Yourself campaign, which is driven by the employees themselves. Among the initiatives launched this year are the joining of REDI, the Corporate Network for Diversity and LGBTI inclusion in Spain, the commitment to the United Nations rules of conduct for the LGBTI group and the adaptation of the company's diversity policies.

BBVA's efforts to promote diversity have earned it for second consecutive year a place in the Bloomberg Gender Equality Index, a ranking of the top 100 global companies in terms of gender diversity, and in the Equileap Global Report on Gender Equality, which selects the 200 best companies in the world in terms of gender equality. BBVA is also a signatory of the Diversity Charter at European level and of the United Nations Women's Empowerment Principles.

In **Spain**, BBVA renewed the "Company Equality" Seal of Distinction in 2019, granted by the Ministry of the Presidency, Parliamentary Relations and Equality to companies that are a benchmark for good practices in this area. Likewise, the Equal Treatment and Opportunities Plan signed with the workers' representation allowed for progress in women's access to positions of greater responsibility in the Organization. BBVA also renewed the Family-friendly Company certificate granted by the Más Familia Foundation for the practices and regulations in place at BBVA involving equal treatment and labor, work-family and personal life balance and was also included in the Variable D2019 report that recognizes the 30 companies in Spain with best practices in diversity and inclusion.

In addition, the Talent&Culture management team was trained in inclusive job offers, reaching an agreement for the implementation of the **Rooney Rule**; and a volunteer work agreement was signed with the Inspiring Girls Foundation so that, during the 2019-2020 school year, more than 80 women from BBVA will be able to act as role models for school-age girls and demonstrate that the fact of being a woman is not a limitation for holding leadership positions in areas related to Science, Technology, Engineering and Mathematics (STEM subjects).

In the **United States**, BBVA launched its first employee support group Women in Leadership to promote diversity, earning the recognition of being ranked 47th in the Diversity Index among the 50 most important companies supporting diversity in 2019.

The Bank also obtained the highest score (100%) in the 2019 Corporate Equality Index that evaluates corporate practices and policies for employees from the LGTBI community, which also serves as a national benchmark among the most influential companies in the United States.

In **Mexico**, BBVA has aligned itself with a culture of global diversity where difference is encouraged and respected, with a focus on gender equality and disability. To this end, various initiatives were implemented in 2019 to support a culture of diversity and provide women with access to management positions and raise awareness of the issue of diversity, standing out the Women's Day event.

In **Turkey**, the Bank has a Gender Equality Committee, active since 2015, which includes high-level male and female representatives, and coordinates programs, processes and initiatives aimed at Bank employees or all external stakeholders in the areas of female inclusion in the financial system, women's empowerment and gender equality. The Women's Leadership Mentorship Program for branch managers and headquarters executives was also launched with the objective of empowering female leaders and increasing their recognition across internal networks.

As a result of all these initiatives and gender equality practices it undertakes for employees, customers and society in general, Garanti BBVA is one of the two Turkish companies included in the Bloomberg Gender Equality Index.

Lastly, all the Group's banks throughout the various countries in which it operates have protocols for the **prevention of** sexual **harassment**. In Spain and the United States these have been in place for some years and in the rest of the world they were developed in 2018. In 2019, BBVA in Mexico published its protocol on harassment and sexual harassment through electronic media, while Garanti BBVA published its policy against harassment and discrimination.

Specifically, in the Bank's protocol in Spain, the Bank and signatory trade union representatives expressly state their rejection of any conduct of a sexual nature or with a sexual connotation that has the purpose or effect of violating a person's dignity, particularly when an intimidating, degrading or offensive environment is created, and they undertake to apply this agreement as a means of preventing, detecting, correcting and punishing this type of conduct within the company.

Different capabilities

BBVA is committed to the **integration** of people with different capabilities in the workplace, with the conviction that employment is a fundamental pillar in the promotion of equal opportunities for all people. Accordingly, BBVA has alliances with the leading Spanish organizations in the disability sector with the aim of promoting accessibility, fostering labor integration and increasing knowledge and awareness of the needs and potential of disabled people.

In **Spain**, BBVA continued its in-branch internship program for people with intellectual disabilities, in which 31 young people participated in 2019, and 3,605 have participated since 2015.

In **Mexico**, a first job evaluation format for the labor inclusion of persons with disabilities requested under the authority of NOM034 of the Ministry of Labor and Social Welfare was developed, and a guide containing advice for supervisors who have persons with mental disabilities in their teams was prepared, which included an infographic on how to deal with and address persons with disabilities.

As of December 31, **2019**, BBVA had 662 people with different capabilities on the Group's staff, of which 148 are located in Spain, 108 in the United States, 25 in Mexico, 288 in Turkey and 93 in South America.

Additionally, progress is being made in the accessibility of the branches of the different banks that make up the Group. The corporate headquarters of BBVA in Madrid, Mexico and Argentina have all been made accessible.

EMPLOYEES BY COUNTRIES AND GENDER (BBVA GROUP)

	2019			2018		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	30,283	14,914	15,369	30,338	14,930	15,408
The United States	10,825	4,516	6,309	10,984	4,566	6,418
Mexico	37,805	17,614	20,191	36,123	16,843	19,280
Turkey [(1)]	22,275	9,626	12,649	21,994	9,505	12,489
South America	24,644	11,423	13,221	25,050	11,492	13,558
Argentina	6,402	3,423	2,979	6,262	3,372	2,890
Colombia	6,899	2,867	4,032	6,803	2,819	3,984
Venezuela	2,532	884	1,648	3,384	1,148	2,236
Peru	6,420	3,106	3,314	6,267	3,027	3,240
Chile	956	436	520	923	436	487
Paraguay	428	221	207	430	219	211
Uruguay	576	314	262	578	314	264
Bolivia	424	169	255	396	154	242
Brazil	6	2	4	6	2	4
Cuba	1	1	-	1	1	-
Rest of Eurasia	1,141	638	503	1,138	637	501
France	71	45	26	72	46	26
United Kingdom	120	86	34	126	87	39
Italy	51	27	24	52	29	23
Germany	43	25	18	41	24	17
Belgium	23	14	9	24	15	9
Portugal	458	231	227	469	235	234
Switzerland	116	73	43	122	77	45
Ireland	-	-	-	4	3	1
Finland	112	68	44	83	54	29
Hong Kong	85	46	39	89	46	43
China	28	9	19	25	9	16
Japan	3	2	1	3	2	1
Singapore	9	2	7	8	1	7
United Arab Emirates	2	1	1	2	1	1
Russia	3	2	1	3	2	1
India	2	1	1	2	1	1
Indonesia	2	1	1	2	1	1
South Korea	2	1	1	2	1	1
Taiwan	11	4	7	9	3	6
Total	**126,973**	**58,731**	**68,242**	**125,627**	**57,973**	**67,654**

[(1)] Includes the employees of Garanti BBVA in Netherlands, Romania, Malta and Chipre.

PROMOTED EMPLOYEES BY GENDER (BBVA GROUP)

	2019			2018		
	Number of promoted employees	Male	Female	Number of promoted employees	Male	Female
Spain	3,583	1,726	1,857	4,827	2,172	2,655
The United States	1,612	624	988	1,049	461	588
Mexico	9,000	4,354	4,646	11,422	3,844	7,578
Turkey	3,268	1,378	1,890	4,284	1,749	2,535
South America	2,429	1,030	1,399	3,266	1,243	2,023
Rest of Eurasia	86	55	31	75	36	39
Total	**19,978**	**9,167**	**10,811**	**24,923**	**9,505**	**15,418**

EMPLOYEES AVERAGE AGE AND DISTRIBUTION BY AGE STAGES (BBVA GROUP. YEARS AND PERCENTAGE)

	2019				2018			
	Average age	<25	25-45	>45	Average age	<25	25-45	>45
Spain	43.2	1.0	61.1	37.9	42.8	0.9	63.7	35.4
The United States	41.5	5.9	57.8	36.3	41.1	6.7	58.0	35.2
Mexico	33.6	11.2	75.2	13.6	33.8	10.8	75.1	14.1
Turkey	35.0	5.4	84.7	9.9	34.3	4.8	87.9	7.2
South America	37.9	6.9	67.7	25.4	37.8	7.3	67.3	25.4
Rest of Eurasia	43.4	1.5	54.3	44.3	43.1	1.5	56.0	42.5
Total	**39.8**	**5.3**	**66.8**	**27.9**	**37.6**	**6.2**	**71.4**	**22.4**

AVERAGE LENGTH OF SERVICE BY GENDER (BBVA GROUP. YEARS)

	2019			2018		
	Total	Male	Female	Total	Male	Female
Spain	16.9	17.3	16.4	16.3	17.0	15.5
The United States	7.3	6.1	8.2	6.6	5.3	7.5
Mexico	7.6	7.5	7.6	7.4	7.4	7.4
Turkey	7.9	9.6	6.1	8.1	8.2	7.9
South America	11.2	11.9	10.7	10.8	11.4	10.2
Rest of Eurasia	12.7	12.0	13.6	12.1	11.4	13.0
Total	**10.6**	**9.1**	**10.4**	**10.3**	**10.7**	**10.0**

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. PERCENTAGE)

	2019			2018		
	Total	Male	Female	Total	Male	Female
Spain						
Management team [(1)]	3.6	76.2	23.8	3.5	76.6	23.4
Middle controls	7.0	62.3	37.7	6.4	63.1	36.9
Specialists	34.6	50.5	49.5	30.7	51.5	48.5
Sales force	44.1	43.8	56.2	45.2	44.2	55.8
Base positions	10.8	50.1	49.9	14.2	47.3	52.7
The United States						
Management team [(1)]	0.4	92.5	7.5	0.4	93.0	7.0
Middle controls	18.7	58.0	42.0	18.7	59.3	40.7
Specialists	18.0	43.2	56.8	17.8	43.0	57.0
Sales force	40.0	47.3	52.7	35.9	49.4	50.6
Base positions	22.9	16.6	83.4	27.3	17.4	82.6
Mexico						
Management team [(1)]	0.4	82.8	17.2	0.5	84.4	15.6
Middle controls	2.3	66.4	33.6	2.1	66.4	33.6
Specialists	34.8	49.4	50.6	34.1	49.4	50.6
Sales force	28.2	51.4	48.6	29.4	52.4	47.6
Base positions	34.2	37.9	62.1	33.9	37.1	62.9
Turkey						
Management team [(1)]	0.1	84.6	15.4	0.1	85.7	14.3
Middle controls	22.6	44.0	56.0	29.2	40.9	59.1
Specialists	24.1	39.2	60.8	34.9	35.3	64.7
Sales force	45.5	36.6	63.4	28.0	41.0	59.0
Base positions	7.8	94.5	5.5	7.8	95.2	4.8
South America						
Management team [(1)]	0.6	70.4	29.6	0.7	72.1	27.9
Middle controls	10.2	56.6	43.4	8.0	54.5	45.5
Specialists	34.1	51.1	48.9	39.2	51.5	48.5
Sales force	38.6	40.7	59.3	38.7	40.3	59.7
Base positions	16.4	42.5	57.5	13.4	38.9	61.1
Rest of Eurasia						
Management team [(1)]	4.5	86.3	13.7	5.2	86.4	13.6
Middle controls	9.3	71.7	28.3	9.7	70.0	30.0
Specialists	50.0	51.2	48.8	45.8	51.8	48.2
Sales force	33.7	57.6	42.4	33.7	57.8	42.2
Base positions	2.6	16.7	83.3	5.6	26.6	73.4
Group average						
Management team [(1)]	1.2	77.2	22.8	1.2	77.9	22.1
Middle controls	10.0	53.6	46.4	10.6	50.8	49.2
Specialists	31.4	48.4	51.6	33.1	47.5	52.5
Sales force	38.1	43.8	56.2	35.4	45.4	54.6
Base positions	19.3	42.1	57.9	19.6	40.7	59.3

(1) The management team includes the highest range of the Group´s management.

EMPLOYEES DISTRIBUTION BY TYPE OF CONTRACT AND GENDER (BBVA GROUP. PERCENTAGE)

	2019			2018		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain						
Permanent employee. Full-time	92.5	51.5	48.5	92.6	51.3	48.7
Permanenet employee. Part-time	3.5	6.5	93.5	3.1	6.1	93.9
Temporary employee	4.0	35.1	64.9	4.3	35.2	64.8
The United States						
Permanent employee. Full-time	98.8	42.0	58.0	97.2	42.2	57.8
Permanenet employee. Part-time	1.2	14.5	85.5	2.7	19.5	80.5
Temporary employee	0.0	50.0	50.0	0.0	100.0	-
Mexico						
Permanent employee. Full-time	90.8	46.3	53.7	90.7	46.3	53.7
Permanenet employee. Part-time	0.0	28.6	71.4	0.0	20.0	80.0
Temporary employee	9.2	49.4	50.6	9.3	50.2	49.8
Turkey						
Permanent employee. Full-time	99.6	43.2	56.8	99.6	43.2	56.8
Permanenet employee. Part-time	-	-	-	-	-	-
Temporary employee	0.4	57.6	42.4	0.4	54.5	45.5
South America						
Permanent employee. Full-time	90.3	47.2	52.8	89.1	46.8	53.2
Permanenet employee. Part-time	2.8	34.0	66.0	2.8	34.3	65.7
Temporary employee	6.9	40.3	59.7	8.1	39.4	60.6
Rest of Eurasia						
Permanent employee. Full-time	99.6	55.8	44.2	99.6	56.0	44.0
Permanenet employee. Part-time	0.1	100.0	-	0.1	100.0	-
Temporary employee	0.3	66.7	33.3	0.4	50.0	50.0
Group average						
Permanent employee. Full-time	93.4	46.8	53.2	93.1	46.7	53.3
Permanenet employee. Part-time	1.5	17.3	82.7	1,5	18.3	81.7
Temporary employee	5.1	44.5	55.5	5.4	44.1	55.9

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND AGE STAGES (BBVA GROUP. PERCENTAGE)

	2019				2018			
	Total	**<25**	**25-45**	**>45**	**Total**	**<25**	**25-45**	**>45**
Spain								
Permanent employee. Full-time	92.5	0.5	59.2	40.3	92.6	0.5	61.8	37.7
Permanent employee. Part-time	3.5	-	88.5	11.5	3.1	-	89.8	10.2
Temporary employee	4.0	13.4	81.6	5.0	4.3	10.1	86.1	3.8
The United States								
Permanent employee. Full-time	98.8	5.6	58.1	36.3	97.2	5.8	58.6	35.6
Permanent employee. Part-time	1.2	23.7	40.5	35.9	2.7	39.4	37.7	22.8
Temporary employee	0.0	100.0	-	-	0.0	100.0	-	-
Mexico								
Permanent employee. Full-time	90.8	8.4	76.7	14.9	90.7	7.7	76.8	15.5
Permanent employee. Part-time	0.0	-	85.7	14.3	0.0	-	80.0	20.0
Temporary employee	9.2	38.4	60.8	0.7	9.3	40.8	58.7	0.5
Turkey								
Permanent employee. Full-time	99.6	5.4	84.7	9.9	99.6	4.8	88.0	7.2
Permanent employee. Part-time	-	-	-	-	-	-	-	-
Temporary employee	0.4	6.5	79.3	14.1	0.4	11.7	76.6	11.7
South America								
Permanent employee. Full-time	90.3	4.3	68.0	27.7	89.1	4.2	67.8	27.9
Permanent employee. Part-time	2.8	16.6	77.5	5.9	2.8	19.6	75.1	5.3
Temporary employee	6.9	37.6	60.2	2.2	8.1	36.2	59.2	4.6
Rest of Eurasia								
Permanent employee. Full-time	99.6	1.4	54.3	44.3	99.6	1.4	56.0	42.6
Permanent employee. Part-time	0.1	-	-	100.0	0.1	-	-	100.0
Temporary employee	0.3	33.3	66.7	-	0.4	25.0	75.0	-
Group average								
Permanent employee. Full-time	92.1	4.8	67.3	27.9	93.1	4.5	71.7	23.7
Permanent employee. Part-time	1.8	7.7	81.1	11.2	1.5	13.1	76.4	10.5
Temporary employee	6.1	33.5	64.6	1.9	5.4	33.2	64.3	2.5

EMPLOYEE DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. PERCENTAGE)

	2019			2018		
	Permanent employee Full-time	Permanent employee Part-time	Temporary employee	Permanent employee Full-time	Permanent employee Part-time	Temporary employee
Spain						
Management team (1)	99.6	0.4	-	99.9	0.1	-
Middle controls	98.5	1.5	-	98.5	1.5	-
Specialists	86.8	5.8	7.4	88.3	4.9	6.8
Sales force	96.0	2.2	1.8	96.5	1.9	1.6
Base positions	90.6	3.4	6.0	84.9	4.6	10.5
The United States						
Management team (1)	100.0	-	-	100.0	-	-
Middle controls	99.8	0.2	-	99.8	0.2	-
Specialists	99.9	-	0.1	99.6	0.3	0.1
Sales force	99.8	0.1	0.1	99.9	0.1	-
Base positions	95.1	4.9	-	90.3	9.7	-
Mexico						
Management team (1)	100.0	-	-	100.0	-	-
Middle controls	97.9	0.2	1.9	98.9	0.1	0.9
Specialists	95.2	-	4.8	95.8	0.0	4.2
Sales force	95.1	-	4.9	94.9	-	5.1
Base positions	82.2	-	17.8	81.2	0.0	18.7
Turkey						
Management team (1)	100.0	-	-	100.0	-	-
Middle controls	99.9	-	0.1	99.8	-	0.2
Specialists	98.9	-	1.1	99.4	-	0.6
Sales force	99.4	-	0.6	99.7	-	0.3
Base positions	99.6	-	0.4	99.9	-	0.1
South America						
Management team (1)	96.9	3.1	-	97.7	2.3	-
Middle controls	99.6	0.2	0.2	99.5	0.1	0.3
Specialists	98.5	0.4	1.2	98.4	0.4	1.2
Sales force	90.9	4.1	4.9	87.6	4.1	8.2
Base positions	66.0	6.4	27.6	59.3	7.4	33.3
Rest of Eurasia						
Management team (1)	98.0	2.0	-	98.3	1.7	-
Middle controls	100.0	-	-	100.0	-	-
Specialists	99.8	-	0.2	99.6	-	0.4
Sales force	99.5	-	0.5	99.7	-	0.3
Base positions	100.0	-	-	98.4	-	1.6
Group average						
Management team (1)	99.3	0.7	-	99.6	0.4	-
Middle controls	99.1	0.6	0.3	99.5	0.3	0.2
Specialists	93.8	1.9	4.4	95.6	1.2	3.1
Sales force	94.9	1.8	3.2	95.0	1.5	3.6
Base positions	81.9	2.2	15.9	81.4	3.0	15.6

(1) The management team includes the highest range of the Group´s management.

Work environment

BBVA carries out, on a general and biennial basis, a survey to measure its employees' commitment and to gage their opinions. In the 2019 survey, 90% of the people who are part of the Group gave their opinion, 3 percentage points more than in 2017 (87%). One of the highlights of the results is the average of the twelve main questions of the survey, which was 4.11 out of 5 (4.02 in 2017). The level of commitment of BBVA employees also improved, standing at 6.63 (4.45 in 2017) and calculated by dividing the percentage of committed employees by the percentage of actively non-aligned employees.

Work organization

As part of the transformation of work practices at the Bank, in 2019 the 'Work Better. Enjoy Life' global plan was launched, which was established to reflect a culture based on high performance, productivity, team empowerment and balance between professional and personal life, i.e. work-life balance. This plan consists of a set of measures aimed at promoting a new mindset and equal opportunities, which are always focused on objectives as opposed to time spent in the office.

Initially, the plan was divided into two categories: i) good practices, such as effective time management, and ii) shock measures related to changing work practices. The first of these measures was implemented in November, when all the Bank's corporate and regional offices in Spain began to close at 7:00PM, offering a 30-minute margin to leave the premises. Another specific measure included in the plan is the avoidance of excessive meetings, which is one of the greatest obstacles to productivity. To this end, effective meeting management is being pursued, incorporating rules such as limiting their duration to 45 minutes, avoiding the use of unnecessary presentations, encouraging the use of video conferences—physical presence is not the most important factor in a meeting–and sharing the objectives of the meeting in advance.

BBVA in Spain has also signed an agreement with leading trade union representatives in September 2019 on working time registration and the right to digital disconnection, being the first financial institution to sign a collective agreement under these terms. The agreement was reached within the framework of the legal obligation established for companies in Royal Decree-Law 8/2019, of March 8, on urgent measures for social protection and the fight against precariousness in the workplace, and with the aim of moving toward an organizational culture of work based on efficiency and results, as opposed to attendance and staying at work beyond established working hours.

In order to fulfill this agreement, an ad-hoc tool was created, Register your working day, an application where every employee in Spain registers their working hours on a daily basis, by entering the time they start and finish work. In order to increase the knowledge of what it means to register the working day and how to use the tool, all employees have an online training course on this subject. For BBVA, the creation of this tool represents a means of promoting, strengthening and taking a further step toward cultural change and changes to work practices.

With regard to the right to **digital disconnection**, the agreement with trade union representation also recognizes this right to workers as a fundamental element in achieving better organization of working time in order to respect private and family life, to improve the balance between personal, family and working life and to contribute to the optimization of workers' **occupational health**. This right takes the form of specific measures, such as:

- No communications between 7PM and 8AM the next day, nor during weekends and holidays.
- From Monday to Thursday, avoiding meetings that end after 7PM, or after 3PM on Fridays and the day before a public holiday.

Freedom of association and representation

In accordance with the different regulations in force in the countries in which BBVA is present, the working conditions and the rights of the employees, such as freedom of association and union representation, are included in the rules, conventions and agreements signed, in their case, with the corresponding representations of the workers. Dialog and negotiation are part of how to address any dispute or conflict within the Group, for which there are specific procedures for consultation with trade union representatives across different countries.

In BBVA Spain, the banking sector collective agreement is applied to the entire workforce, complemented by the company collective agreements which build upon and improve the provisions of sector agreement, and which are entered into on behalf of workers. Employee representatives are elected every four years by personal, free, direct and secret ballot, and are informed of the relevant changes that may occur in the organization of work in the Entity, under the terms provided in accordance with the legislation in force.

In Mexico, freedom of association and local representation are respected. In accordance with the reform of the Federal Labor Law, in force as of May 2019, the Bank has a process to comply, in accordance with the parameters indicated by the legislation itself, with the requirements on collective matters that were incorporated for trade union organizations consisting of free, secret and direct voting. By the end of the year, 100% of the workforce was covered by a collective agreement.

In Argentina, freedom of association and commitment to labor rights are respected, and dialog and collective negotiation are much valued when it comes to reaching consensus and conflict resolution. All staff are covered by agreement, maintaining a seamless communication with the internal trade commissions at the local level and with sections of the banking association at the national level.

In other South American countries, the Group's employees are covered by some form of collective agreement, and 100% of the workforce is covered by an agreement in Colombia, Peru, Venezuela and Paraguay. As an example, in BBVA Uruguay, the banking sector collective agreement is applied to the entire workforce, complemented by the company collective agreements which build upon and improve the provisions of sector agreement, and which are entered into by representatives on behalf of workers. Trade union representatives sitting on work councils are informed of any relevant changes that may occur to the organization of work within the Bank, under the terms set out in the legislation in force.

On the other hand, the regulations in force in the United States and Turkey do not require the same application of agreements to their workforces.

Health and labor safety

BBVA considers the promotion of health and safety as one of its basic principles and fundamental goals, which is addressed through the continuous improvement of working conditions.

In this regard, the **work risk prevention** model in BBVA Spain is legally regulated and employees have the right to consult and participate in these areas, which they exercise and develop through trade union representation on the different existing committees, where consultations are presented and matters relating to health and safety in the workplace are dealt with, monitoring any and all activity related to prevention.

The Bank has a preventive policy applicable to 100% of its staff, which is carried out primarily by the Occupational Risk Prevention Service. This service has two lines of action: a) the **technical-preventive** line, which involves, among other activities, the carrying out of evaluations of occupational risks, which are periodically updated, the preparation of action plans to eliminate/minimize the risks detected, the monitoring of the implementation of action plans, the preparation and implementation of emergency and evacuation plans, training in health and safety, and the coordination of preventive activities; and b) **occupational medicine**, which involves carrying out staff medical examinations, providing protection for particularly sensitive employees and equipping workplaces with appropriate ergonomic equipment, as well as carrying out preventive activities and campaigns to maintain and improve workers' health and contributing to the development of a culture of prevention and the promotion of healthy habits.

OCCUPATIONAL HEALTH MAIN DATA (BBVA SPAIN. NUMBER)

	2019	2018
Number of technical preventive actions	2,706	3,078
Number of preventive actions to improve working conditions	3,306	3,854
Appointments for health checks	16,796	15,590
Employees represented in health and safety committees (%)	100	100
Abseentism rate (%)	2.9	2.8

In other geographical areas in which the Group is present, progress has also been made in 2019 in the field of occupational health and safety, much of which is the result of the activity of health and safety committees in which employees are fully represented in most countries.

In the **United States**, BBVA USA's Wellthy for Life wellness program provides employees with a comprehensive wellness program that they can customize according to their needs and interests (physical, medical, and socioeconomic) no matter where they may be. Over the year, 570 technical-preventive actions were taken and the absenteeism rate was 1.77%.

In **Mexico**, where the workforce is fully represented on health and safety committees, various campaigns were carried out to promote awareness and prevention in the field of health and safety at work, specifically the national campaigns for the prevention of breast and prostate cancer and the prevention and control of seasonal flu. During the year, 27 technical-preventive actions were taken and an absenteeism rate of 1.19% was recorded.

In **Turkey**, the Bank uses occupational health and safety (OHS) software to track various activities, including risk assessment, training programs, and corrective and preventive actions, etc. During the year, 472 technical-preventive actions were taken, 653 preventive actions were taken to improve working conditions and an absenteeism rate of 1.00% was recorded. 100% of employees are represented on health and safety committees.

In **South America**, there is no standard occupational health and safety management model for the entire region.

In Argentina, a health portal was created and made available to all employees, and occupational safety workshops related to workplace ergonomics, commuting accidents, voice training for call center operators, etc. were launched. In Colombia, risk prevention actions were carried out such as job inspections, emergency drills and medical examinations, and a comprehensive health policy was implemented which involved the new spaces available (catering areas and gymnasium) for building healthy lifestyles. In Peru, the Bank's staff, with a participation of close to 60% of the employees, were measured for psychosocial risk in order to implement prevention and control measures for such risks.

By country, 1,076 technical-preventive actions were taken in Argentina, 2,256 in Colombia, 42 in Peru, 21 in Venezuela, 6 in Paraguay and 1 in Uruguay over the year. Preventive actions to improve working conditions were 1,614, 4,112, 150, 28, 7 and 3, respectively, and an absenteeism rate of 1.44%, 2.71%, 0.86%, 13.56%, 1.06% y 1.70% was recorded. Overall, 9,854 health check-up appointments were made. 100% of employees in Colombia, Peru and Paraguay are represented on health and safety committees.

VOLUME AND ABSENTEEISM TYPOLOGY OF EMPLOYEES (BBVA GROUP)

	2019			2018		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Number of withdrawn	28,338	9,107	19,231	30,696	10,181	20,515
Number of absenteeism hours [(1)]	3,469,056	1,299,504	2,169,552	4,027,728	1,335,408	2,692,320
Number of accidents with medical withdrawn	316	108	208	437	147	290
Frequency index	2.01	1.63	2.34	2.36	1.69	2.93
Severity index	1.46	1.08	1.79	2.05	1.49	2.52
Absenteeism rate (%)	1.0	0.8	1.2	1.2	0.8	1.5

[(1)] Total withdrawn hours by medical leave or accident during the year.

In 2019, BBVA recorded a total of 316 cases of work-related accidents involving medical leave across the entire Group (only one out of every hundred cases of leave are due to accidents), most of them involving commuting accidents, which is 27.7% less than the previous year.

No cases of occupational disease were registered in Spain in the last year. The number of work-related accidents was 346 over the year, of which 155 entailed medical leave and 191 did not, indicating a very low degree of severity, under the sector rate. Thus, the Bank's severity index is 0.15 (0.06 men and 0.09 women) in 2019, while the frequency index is 3.58 (1.25 men and 2.33 women).

VOLUNTARY RESIGNATIONS (TURNOVER) (1) AND BREAKDOWN BY GENDER (BBVA GROUP. PERCENTAGE)

	2019			2018		
	Total workforce turnover	**Male**	**Female**	**Total workforce turnover**	**Male**	**Female**
Spain	1.1	65.0	35.0	1.3	62.6	37.4
The United States	14.2	41.5	58.5	13.0	41.2	58.8
Mexico	13.9	49.9	50.1	13.3	50.7	49.3
Turkey	4.9	42.7	57.3	3.9	41.2	58.8
South America	6.1	47.9	52.1	7.7	42.7	57.3
Rest of Eurasia	4.2	52.1	47.9	4.5	46.0	54.0
Total	**7.6**	**48.0**	**52.0**	**7.6**	**47.1**	**52.9**

[(1)] Turnover= [Resignations (excluding early retirement)/Number of employees at start of the period] * 100

RECRUITMENT OF EMPLOYEES BY GENDER (BBVA GROUP. NUMBER)

	2019			2018		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain	3,156	1,405	1,751	3,242	1,494	1,748
The United States	2,423	1,062	1,361	2,657	1,184	1,473
Mexico	9,237	4,601	4,636	8,133	4,184	3,949
Turkey	2,938	1,321	1,617	2,223	987	1,236
South America	3,009	1,447	1,562	3,386	1,569	1,817
Rest of Eurasia	149	85	64	155	96	59
Total	**20,912**	**9,921**	**10,991**	**19,796**	**9,514**	**10,282**
Of which new hires are [1]:						
Spain	914	537	377	1,252	786	466
The United States	2,417	1,058	1,359	2,650	1,177	1,473
Mexico	6,597	3,309	3,288	5,951	2,997	2,954
Turkey	2,752	1,242	151	2,186	973	1,213
South America	2,654	1,287	1,367	2,521	1,213	1,308
Rest of Eurasia	130	72	58	142	88	54
Total	**15,464**	**7,505**	**6,600**	**14,702**	**7,234**	**7,468**

[1] Including hires through consolidations.

DISCHARGE OF EMPLOYEES BY DISCHARGE TYPE AND GENDER (BBVA GROUP. NUMBER)

	2019			2018		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain						
Retirement and early retirement	585	405	180	525	366	159
Voluntary redundancies	105	40	65	71	33	38
Resignations	346	225	121	406	254	152
Dismissals	93	62	31	79	48	31
Others [(1)]	2,082	694	1,388	2,407	960	1,447
The United States						
Retirement and early retirement	57	15	42	59	10	49
Voluntary redundancies	3	3	-	2	1	1
Resignations	1,565	650	915	1,420	585	835
Dismissals	93	39	54	101	45	56
Others [(1)]	864	402	462	1,019	447	572
Mexico						
Retirement and early retirement	228	138	90	385	190	195
Voluntary redundancies	30	14	16	105	59	46
Resignations	5,015	2,502	2,513	4,931	2,499	2,432
Dismissals	1,092	555	537	2,613	1,193	1,420
Others [(1)]	1,190	614	576	1,183	671	512
Turkey						
Retirement and early retirement	153	84	69	90	46	44
Voluntary redundancies	132	50	82	110	57	53
Resignations	1,074	459	615	883	364	519
Dismissals	21	13	8	19	13	6
Others [(1)]	1,179	452	727	1,742	721	1,021
South America						
Retirement and early retirement	27	17	10	54	29	25
Voluntary redundancies	950	354	596	416	231	185
Resignations	1,520	728	792	2,273	971	1,302
Dismissals	358	170	188	334	164	170
Others [(1)] [(2)]	560	255	305	4,682	2,067	2,615
Rest of Eurasia						
Retirement and early retirement	12	5	7	3	2	1
Voluntary redundancies	3	3	-	10	4	6
Resignations	48	25	23	50	23	27
Dismissals	11	8	3	10	6	4
Others [(1)]	72	43	29	43	35	8
Total Group	**19,468**	**9,024**	**10,444**	**26,025**	**12,095**	**13,930**
Retirement and early retirement	1,062	664	398	1,116	643	473
Voluntary redundancies	1,223	464	759	714	385	329
Resignations	9,568	4,589	4,979	9,963	4,696	5,267
Dismissals	1,668	847	821	3,156	1,469	1,687
Others [(1)] [(2)]	5,947	2,460	3,487	11,076	4,901	6,175

[(1)] Others include permanent termination and death.
[(2)] Including the sale of BBVA Chile in 2018.

DISMISSALS BY PROFESSIONAL CATEGORY AND AGE STAGES (BBVA GROUP. NUMBER)

	2019				2018			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Spain								
Management team [(1)]	13	-	-	13	12	-	2	10
Middle controls	1	-	-	1	3	-	-	3
Specialists	53	-	43	10	23	1	15	7
Sales force	18	-	12	6	27	-	18	9
Base positions	8	-	5	3	14	-	8	6
The United States								
Management team [(1)]	-	-	-	-	-	-	-	-
Middle controls	4	-	2	2	4	-	2	2
Specialists	7	-	5	2	3	-	-	3
Sales force	61	11	46	4	44	6	28	10
Base positions	21	4	13	4	50	13	34	3
Mexico								
Management team [(1)]	7	-	1	6	10	-	1	9
Middle controls	14	-	7	7	23	-	6	17
Specialists	336	2	239	95	1,338	39	897	402
Sales force	592	13	421	158	824	35	602	187
Base positions	143	19	112	12	418	44	340	34
Turkey								
Management team [(1)]	-	-	-	-	-	-	-	-
Middle controls	-	-	-	-	3	-	3	-
Specialists	3	1	2	-	11	2	9	-
Sales force	18	4	14	-	5	-	5	-
Base positions	-	-	-	-	-	-	-	-
South America								
Management team [(1)]	1	-	1	-	3	-	-	3
Middle controls	28	-	18	10	20	-	8	12
Specialists	52	1	39	12	77	2	45	30
Sales force	227	10	181	36	178	12	132	34
Base positions	50	19	29	2	56	20	27	9
Rest of Eurasia								
Management team [(1)]	2	-	1	1	2	-	-	2
Middle controls	-	-	-	-	1	-	-	1
Specialists	4	-	2	2	4	-	3	1
Sales force	5	-	3	2	3	-	1	2
Base positions	-	-	-	-	-	-	-	-
Total Group	**1,668**	**84**	**1,196**	**388**	**3,156**	**174**	**2,186**	**796**
Management team [(1)]	23	-	3	20	27	-	3	24
Middle controls	47	-	27	20	54	-	19	35
Specialists	455	4	330	121	1,456	44	969	443
Sales force	921	38	677	206	1,081	53	786	242
Base positions	222	42	159	21	538	77	409	52

[(1)] The management team includes the highest range of the Group´s management.

Volunteer work

In the **Corporate Volunteer Work Policy**, BBVA expresses its commitment to this type of activity and facilitates the conditions for its employees to carry out corporate volunteer work actions that generate social impact. This policy is applied in all countries in which the Group is present.

Corporate volunteer work activities empower the development of employees, channeling their spirit of solidarity, allowing them to make a personal contribution of their time and knowledge in order to help the people who need it most. This results in an improvement of self-esteem, increasing the sense of pride in belonging to the company, and, consequently, in the attraction and retention of talent. It also generates a positive impact in terms of the Group's level of social responsibility.

Overall, about 11,000 BBVA employees participated in volunteer work initiatives promoted by the different banks of the Group in 2019, having dedicated more than 168,000 hours (32% during working hours and 68% outside working hours). The impact of these actions has directly benefited 10,806 people.

In Spain, more than 1,000 employees participated in about 185 volunteer work activities organized by the Bank in Spain, focusing on the following lines of action: financial education, training in new technologies, training for employment, the environment and sustainability, and community investment.

In the United States, more than 5,000 employees have participated in volunteer activities such as BBVA *Week of Service* for the achievement of the Sustainable Development Goals, *Volunteer Program* to set annual volunteer goals, *Blue Elf* to promote financial education, and *2019 Volunteer Chapter Orientation*.

In Mexico, activities were carried out to support the environment through reforestation days, the donation of glasses for visually impaired children, and seven volunteer work days in schools rebuilt after the 2017 earthquakes organized by the Foundation, whose activities focused on improving green areas, painting murals, interactive whiteboards and refurbishing classrooms. Likewise, employees in Mexico participate as mentors accompanying scholars from the BBVA Foundation program in Mexico. The total number of volunteers amounted to 4,544.

In Turkey, Garanti BBVA employees created the voluntary clover club, whose mission is to improve social and environmental awareness and responsibility, chiefly through projects related to education, children, animals and the environment, of different social organizations in the country.

In certain South American countries such as Peru, 142 employees took part in various BBVA volunteer work activities in 2019, including the "Put a heart into it" campaign, visits to animal shelters and the "Donate a bottle cap, uncap a smile" campaign, while in Uruguay 20 training grants were renewed for low-income young people in innovation and robotics programs, in which volunteer employees acted as sponsors.

Remuneration

BBVA has a remuneration policy designed within the framework of the specific regulations applicable to credit institutions, and geared toward the recurring generation of value for the Group, seeking also the alignment of the interests of its employees and shareholders, with prudent risk management. This policy is adapted at all times to what is established under applicable legal standards, and incorporates the standards and principles of national and international best practices.

This policy is part of the elements designed by the Board of Directors as part of the BBVA corporate governance system to ensure proper management of the Group, and meets the following requirements:

- it is compatible and promotes prudent and effective risk management, not offering incentives to assume risks that exceed the level allowed by the Group,
- it is compatible with BBVA's business strategy, objectives, values and long-term interests, and will include measures intended to avoid conflicts of interest,
- it clearly distinguishes the criteria for the establishment of fixed remuneration and variable remuneration;
- it promotes equal treatment for all staff, not discriminating due to gender or other personal reasons; and
- it ensures that remuneration is not based exclusively or primarily on quantitative criteria and takes into account adequate qualitative criteria that reflect compliance with the applicable standards.

The remuneration model applicable in general to the entire staff of the BBVA Group contains two different elements:

- A fixed remuneration, which takes into account the level of responsibility, the functions performed, and the professional trajectory of each employee, as well as the principles of internal equity and the value of the function in the market, constituting a relevant part of the total compensation. The grant and the amount of the fixed remuneration are based on predetermined and non-discretionary objective criteria.
- Variable remuneration constituted by those payments or benefits additional to the fixed remuneration, whether monetary or not, that are based on variable parameters. This remuneration must be linked, in general, to the achievement of previously specified objectives, and will take current and future risks into account.

AVERAGE REMUNERATION (1) BY PROFESSIONAL CATEGORY (2), AGE STAGES AND GENDER (BBVA GROUP. EUROS)

	2019						2018					
	< 25 years		25-45 years		> 45 years		< 25 years		25-45 years		> 45 years	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management team (3)	-	-	66,065	46,223	94,319	60,126	-	-	61,013	43,501	89,478	55,040
Middle controls (3)	-	-	48,929	30,566	59,177	37,813	-	-	47,608	28,724	58,097	35,399
Specialists	12,311	10,508	23,668	20,598	26,166	22,359	11,695	9,837	22,762	19,803	24,939	21,222
Base positions	9,653	8,494	17,149	17,189	21,033	19,682	9,159	7,859	16,830	16,852	20,683	19,072

(1) In 2019, a methodology change was made, using for this table only the average salary and not the average total remuneration.

(2) The Sales force category does not constitute a category and has been broken down into each of the four remaining categories.

(3) There is no information both in the Management team and the Middle controls in the segment under 25 years as it is not significant.

The remuneration of the members of the Board is set out in Note 54 of the Annual Report corresponding to the Group's Consolidated Annual Accounts, on an individual basis and by remuneration category. For senior management members, the average total remuneration was €1,562 thousand for men and €1,156 thousand for women.

Pensions and other benefits

BBVA maintains a social welfare system, which is ordered according to the geographies and coverage it offers to different groups of employees. In general, the social welfare system is a defined contribution system for the retirement provision. The Group's pension policy is compatible with the Company's business strategy, objectives and long-term interests.

Contributions to the social welfare systems of the employees of the Group will be carried out within the framework of the labor regulations in force, and of the individual or collective agreements of application in each entity, sector or geography. Calculation bases on which benefits are based (commitments for retirement, death and disability) reflect fixed annual amounts, with no temporary fluctuations derived from variable components or individual results being present.

With regard to other benefits, the Group has a local implementation framework, according to which each entity, in accordance with its sector of activity and the geographical area in which it operates, has a package of employee benefits within its specific remuneration scheme.

In 2019, the Bank in Spain made a payment of €27.8m in savings contributions to pension plans and life and accident insurance premiums, of which €15.8m corresponded to contributions to men and €12.0m to those of women. This payment accounts for more than 95% of Spain's pension expenditure, excluding unique systems. On average, the contribution received by each employee is €1,074 for the year (€1,234 for men and €917 for women).

Wage gap

Group's remuneration policy promotes equal opportunities for men and women, and does not set or encourage wage differentiation. The remuneration model is designed to promote responsibility and career development, while ensuring internal fairness and external competitiveness.

The wage gap is the percentage obtained by dividing the difference between the median remuneration of men minus the median remuneration of women, among the median remuneration of men. Additionally, a change in the methodology for calculating the wage gap was made using a higher level of disaggregation and matching positions of equal value (same function and responsibility level) in 2019. As of December 31, 2019 the wage gap by homogeneous professional categories in the Group is 1.3% (1.6% in the prior year). Due to the change in the methodology the information related to the fiscal year 2018 has been reexpressed to make the figures comparable to those of 2019.

To balance professional opportunities between men and women, BBVA launched various initiatives to continue making progress toward a gender equality such as: make women's talent visible, eliminate biases in key processes and match the playing field (see more detail in the "Diversity and Inclusion" section). These initiatives are contributing to the increase of women occupying positions of greater responsibility.

Ethical behavior

Compliance system

The Group's **compliance system** is one of the bases on which BBVA consolidates the institutional commitment to conduct all its activities and businesses in strict compliance with current legislation at all times and in accordance with strict standards of ethical behaviour. To achieve this, the cornerstones of the BBVA compliance system are the Code of Conduct, which is available on the BBVA corporate website (bbva.com), the internal control model and the Compliance function.

The **Code of Conduct** establishes the behavioural guidelines that, according to the principles of the BBVA Group, ensure that conduct adheres to the internal values of the organization. To this end, it establishes the duty of respect for applicable laws and regulations for all its members in an integral and transparent manner, with the prudence and professionalism that correspond to the social impact of the financial activity, and to the trust that shareholders and clients have placed in BBVA.

BBVA's **internal control model**, built in accordance with the guidelines and recommendations of regulators and supervisors and the best international practices, with three differentiated levels of control (three-lines defense model), is intended to identify, prevent and correct the situations of risk inherent to the performances of its activity in the areas and locations in which BBVA operates. For more information on the three-line defense model, see Note 1.6 of the attached Consolidated Financial Statements.

Compliance is a global unit integrated within the **second line of defense**, that is entrusted by the Board of Directors with the function of promoting and supervising, with independence and objectivity, measures to ensure that BBVA acts with integrity, particularly in areas such as the prevention of money laundering, conduct with customers, behaviour in the securities market, prevention of corruption and others that may represent a reputational risk for BBVA.

Mission and scope of action

Compliance functions include:

- promoting a culture of compliance within BBVA, as well as the knowledge by its members of the rules and regulations applicable to the above matters, through advisory, dissemination, training and awareness actions; and
- defining and promoting the implementation and total ascription of the organization to the risk management frameworks and measures related to compliance issues.

For an adequate performance of its functions, Compliance maintains a configuration and systems of internal organization in accordance with the principles of internal governance established under the European guidelines for this matter and in its configuration and development of the activity is attached to the principles established by the Bank for International Settlements (BIS), as well as the reference regulations applicable to compliance issues.

In order to reinforce these aspects and, specifically, the independence of the control areas, BBVA has the Regulation & Internal Control area which includes the Compliance unit, which reports directly to the Board of Directors through the Risk and Compliance Committee.

Organization, internal government and management model

The Compliance function is handled globally at BBVA, and is composed of a corporate unit, with a transversal scope for the entire Group, and local units that, sharing the mission entrusted, carry out the function in the countries where BBVA carries out its activities. For this purpose, it has a global compliance manager, as well as those who are responsible in the local units.

The function carried out by the Chief Compliance Officers relies on a set of departments specialized in different activities, which, in turn, have their own designated officers. Thus, among other, the function is addressed by individuals responsible for each discipline related to compliance issues, for the definition and articulation of the strategy and the management model of the function or for the execution and continuous improvement of the area's internal operational processes.

Included among the main functions of the compliance units at BBVA are the following:

- Review and periodic analysis of the applicable laws and regulations.

- Issue, promotion or updating of compliance-related policies and procedures.
- Advice to the organization in the interpretation of the Code of Conduct or compliance policies.
- Continuous supervision of activities with compliance risk.
- Management of whistleblowing channels.
- Participation in committees that deal with issues related to compliance matters.
- Participation in independent review processes on the subject.
- Periodic reporting to the senior management and to governing bodies.
- Representation of the function before regulatory bodies and supervisors in matters of compliance.
- Representation of the function in national and international forums.

In 2019, the structure of the compliance units across different countries evolved to better align with these foundations.

The scope and complexity of the activities, as well as the international presence of BBVA, give rise to a wide variety of regulatory requirements and expectations of the supervisory bodies that must be addressed in relation to risk management associated with compliance issues. This makes it necessary to have internal mechanisms that establish transversal mechanisms for managing this risk in a homogeneous and integral manner.

For this purpose, Compliance has a **global model** for estimating and managing said risk, which, with an integral and preventive approach, has evolved over time to reinforce the elements and pillars on which it is based and to anticipate the developments and initiatives that may arise in this area.

This model starts from periodic cycles of identification and assessment of compliance risk, upon which its management strategy is based. The aforementioned results in the revision and updating of the multi-year strategy and its corresponding annual action lines, both of which are aimed at strengthening the applicable mitigation and control measures, as well as improving the model itself.

The basic **pillars** of the model are the following elements:

- A suitable organizational structure with a clear assignment of roles and responsibilities throughout the Organization.
- A set of policies and procedures that clearly define positions and requirements to be applied.
- Mitigation processes and controls applied to enforce these policies and procedures.
- A technology infrastructure, focused on monitoring and geared toward ensuring the previous objective.
- Communication and training systems and policies implemented to raise employee awareness of the applicable requirements.
- Metrics and indicators that allow for the supervision of the global model implementation.
- Independent periodic review of effective model implementation.

Throughout 2019, work continued on strengthening the documentation and management of this model. Thus, the Compliance Unit continued with the review and update of the global typologies of compliance risks, both at a general level and in different geographies. The framework for behavioural indicators has also been strengthened in order to improve the early detection of this type of risk.

The effectiveness of the model and compliance risk management is subject to extensive and different annual verification processes, including the testing activity carried out by the compliance units, BBVA's internal audit activities, the reviews carried out by prestigious auditing firms and the regular or specific inspection processes carried out by the supervisory bodies in each of the geographies.

Throughout the year, the Compliance function also reinforced its compliance testing activities at a global level, continuously improving the corresponding methodological framework in order to keep it in line with applicable regulations, industry best practices and BBVA's internal needs.

On the other hand, in recent years, one of the most relevant axes of application of the compliance model focuses on the digital transformation of BBVA. For this reason, in 2019 the Compliance Unit continued to maintain governance, supervision and advisory mechanisms for the activities of the areas that promote and develop business initiatives and digital projects in the Group.

Anti-money laundering and financing of terrorism

Anti-money laundering and the financing of terrorism (AML) is a constant factor in the objectives that the BBVA Group associates with its commitment to improving the various social environments in which it carries out its activities, and a requirement that is indispensable in preserving corporate integrity and one of its main assets: the trust of the people and institutions with which it works on a daily basis (mainly customers, employees, shareholders and suppliers) in the different jurisdictions where it operates.

In addition, the Group is exposed to the **risk of breaching** the AML regulation and the restrictions imposed by national or international organizations to operate with certain jurisdictions and individuals or legal entities, which could entail sanctions and/or significant economic fines imposed by the competent authorities of the various geographical locations in which the Group operates.

As a result of the above, as a global financial group with branches and subsidiaries operating in numerous countries, BBVA applies the compliance model described above for AML **risk management** in all the entities that make up the Group. This model takes into account all regulations of the jurisdictions in which BBVA is present, the best practices of the international financial industry regarding this matter, and recommendations issued by international bodies, such as the Financial Action Task Force (FATF).

This management model is constantly evolving. Thus, the risk analyses that are carried out annually allow us to tighten controls and to establish, where appropriate, additional mitigating measures to enhance it. In 2019, the regulated entities of the Group carried out this AML risk assessment exercise, under the supervision of the corporate AML area.

The BBVA Code of Conduct, in Sections 4.1 and 4.2, establishes the basic guidelines for action in this area. In line with these guidelines, BBVA has established a series of corporate procedures that are applied in each geographical area, including the Corporate Procedure of Action for the Establishment of Business Relations with Politically Exposed Persons (PEPs), the Corporate Procedure of Action for the Prevention of Money Laundering and the Financing of Terrorist Activities in the Provision of Cross-Border Correspondent Services or the Standard that establishes the Operational Restrictions with Countries, Jurisdictions and Entities designated by National or International Organizations. All applicable standards are available for consultation by employees in each country.

BBVA continued to roll out its **monitoring tool** in Turkey and Mexico, which has already been implemented in Spain. Likewise, the Group continued with its strategy to apply new technologies to its AML processes (machine learning, artificial intelligence, etc.), in order to reinforce both the detection capabilities of suspicious activities of the different entities that make up the Group, as well as the efficiency of the said processes. For this reason it participated in the IIF Working Group Machine Learning Application to AML, among others. One result of the above has been improvements, in various countries, in the processes and systems that have allowed for increases in efficiency in AML equipment.

In 2019, the BBVA Group handled 156,422 investigation **files** that resulted in 79,215 reports of suspicious transactions sent to the corresponding authorities in each country.

In terms of **training** related to AML, each of the BBVA Group entities offers an annual training plan for employees. This plan, defined according to the needs identified, establishes training actions such as classroom courses or via e-learning, videos, brochures, etc. Likewise, the content of each training action is adapted to the target group, including general concepts derived from the regulation of applicable AML standards, both internal and external, as well as specific issues that affect the functions developed by the target group for the training. In 2019, 78,122 attendees participated in AML training activities, of which 23,355 belonged to the most sensitive groups, from the perspective of AML.

The AML risk management model is subject to a continuous **independent review**. This review is complemented by internal and external audits carried out by local supervisory bodies, both in Spain as well as in other jurisdictions. In accordance with Spanish regulations, an external expert performs a yearly review of the Group's parent. In 2019, the external expert concluded that the AML system is in line with existing regulations and that it helps to minimize the risk of being used as a vehicle for money laundering or the financing of terrorism. In turn, the internal control body, which BBVA maintains at the corporate level, meets periodically and oversees the implementation and effectiveness of the AML risk management model. This supervision scheme is replicated at the local level as well.

It is important to mention BBVA's **collaboration** work with the different government agencies and international organizations in this field: attendance at the meetings of the AML & Financial Crime Committee and the Financial

Sanctions Expert Group of the European Banking Federation, member of the AML Working Group of the IIF, participation in initiatives and forums to increase and improve exchanges of information for AML purposes, as well as contributions to public consultations issued by national and international organizations (European Commission, FATF/GAFI, European Supervisory Authorities).

Conduct with customers

BBVA's Code of Conduct places its customers at the center of its activities, with the aim of establishing lasting relationships, based on mutual confidence and the contribution of value. Thus, BBVA aspires to be the trusted partner of its clients in the management and control of their finances on a day-to-day basis, based on personalized advice. The objective is to improve the financial health of its clients, as a factor of differentiation of the Group's new strategy.

In order to achieve this objective, BBVA has implemented **policies and procedures** aimed at getting to know its customers better, with the purpose of being able to offer them products and services in line with their financial needs, as well as providing them with clear and accurate information, sufficiently in advance, on the risks of the products in which they invest. BBVA has also implemented processes geared toward prevention, or, when this has not been possible, management of the possible conflicts of interest that might arise in the marketing of its products.

In 2019, progress continued on a global customer compliance model, which aims to establish a minimum framework of standards of conduct to be respected in the relationship with customers, applicable in all jurisdictions of the Group and aligned with the principles of the Code of Conduct. This model contributes to a better customer experience at BBVA in line with increasingly standardized regulations on customer safety and protection at a global level and best practice standards in commercial relations with customers.

To this end, the Compliance Unit focused its activity on reinforcing the plans for adapting the Entity's internal processes to the obligations derived from the regulations. Among these, the following European regulations are of particular importance for customer protection:

- Markets in Financial Instruments Directive (MIFID II);
- Packaged Retail and Insurance-Based Investment Products (PRIIPs);
- Private Insurance Distribution Directive; and
- The Directive on Real-estate Loans.

In 2019, BBVA continued with the deployment of the plan to adapt to MIFID II through the implementation of policies and procedures on different areas. Specifically, regarding the knowledge and skills of the personnel that inform or advise, BBVA continued to develop a training program that concluded with the accreditation of practically all of the employees and agents affected. In the Group, the number of certified sales representatives, following the requirements of local regulations in each country, amounts to 26,675 employees for investment and services products and 25,451 employees for the rest of products, as of December 31, 2019.

In addition, BBVA continues to strengthen processes aimed at prevention or, failing that, the management of possible conflicts of interest that may arise in the marketing of its products. To this end, in 2019 a total of 15,591 Group employees were trained in the identification, management and recording of potential conflicts of interest situations during the provision of services to customers.

Other measures geared toward customer protection during 2019 were the following:

- Analysis of the characteristics, risks and costs of BBVA's new products, services and activities from a customer perspective through a number of new product committees operating within the Group. Over the course of the year, these committees analyzed 358 new Group products, services or activities.
- Continuous collaboration with wholesale and retail product and business development units, focusing on digital banking initiatives, with the aim of including the customers' point of view, and investor protection in its projects from the outset.
- The expansion of a global incentive project to the sales forces with a focus on customer experience and which considers not only the quantity but also the quality of sales, in line with best practices in the sector.
- Progress on a set of behavioral risk management indicators to strengthen the customer, investor and user protection for banking or financial services.
- Internal governance to align the contribution and use of indexes to the recent regulation on reference indexes.
- The promotion of communication and training activities for commercial networks and the departments that support them, both through direct communications on products or services, as well as through specific courses such as banking transparency, MIFID or insurance distribution.

Conduct on securities markets

The BBVA Code of Conduct includes the basic principles for action aimed at preserving the integrity of the markets, setting the standards to be followed aimed at preventing market abuse, and guaranteeing transparency and free competition in the professional activity carried out on the market by the BBVA collective.

These basic principles are specifically developed in the Policy on Conduct in the Field of Securities Markets, which applies to all the individuals who form a part of the BBVA Group. Specifically, this policy establishes the minimum standards that are to be respected with the activity carried out in the securities markets in terms of privileged information, market manipulation, and conflicts of interest; furthermore, it is complemented in each jurisdiction with an **internal** code or **regulation of conduct** (ICC) addressed to the subject group with the greatest exposure in the markets. The ICC develops the contents established in the policy, adjusting them, where appropriate, to local legal requirements.

BBVA's policy and ICC were updated in 2017 and extended to the entire Group in 2018. In order to carry out the management of this regulation, the Group has the GESRIC tool, which is in continuous development and has been implemented in virtually the entire Group for over a decade. The degree of adhesion to the new ICC approached 100% of the individuals (approximately 7,000) in question.

In relation to the **market abuse prevention** program, the improvement of tools for detecting operations suspected of market abuse continued, strengthening their analytical capabilities. Specifically, the process of detecting operations suspected of market abuse was reinforced in Mexico, with the implementation of a new tool for detecting suspicious operations that has already been proven in Europe. The market area communications control framework was also strengthened, thereby enhancing the process of detecting suspicious transactions based on transaction analysis.

These measures enable the further improvement of the process of detecting suspicious transactions, leading to the communication of possible market abuse practices to the relevant authorities in each country.

In 2019, the training on market abuse was strengthened, with courses on inside information and market manipulation, focusing especially on Mexico and South America, in which 607 market employees participated; and on training aimed at teams dedicated to trading derivatives to customers, considered as US Person in the condition of swap dealer, in line with the American Dodd-Frank act. The annual Volcker Rule training was also provided to a group of 2,046 Group employees, representing virtually the entire target group.

Other standards of conduct

One of the main mechanisms for managing conduct risk in the Group is its **whistleblowing channels**. As set out in the Code of Conduct, BBVA employees have the obligation not to tolerate any conduct that is contrary to the Code, or any conduct in the performance of their professional duties that may bring harm to the reputation or good name of BBVA. The whistleblower channel is used to help employees report observed or reported breaches of human rights by employees, customers, suppliers or colleagues; it is available 24 hours a day, 365 days a year and is also open to Group suppliers. All reports are processed diligently and promptly. They are reviewed, and measures are taken to resolve any issues. The information is analyzed in an objective, impartial and confidential manner.

BBVA has 16 complaints channels accessible to employees in all its main countries, which can be accessed through email and telephone. In 2019, 1,745 complaints were received in the Group, whose main complaint aspects refer to the categories of behavior with our colleagues (48.5%), and behavior with the company (37.2%). Approximately 44% of the complaints processed during the year ended with the imposition of disciplinary penalties.

Among the work carried out in 2019, ongoing advice on the application of the Code of Conduct is particularly noteworthy. Specifically, the Group formally received 456 different kinds of individual, written and telephone queries, such as the resolution of possible conflicts of interest, the management of personal assets, or the development of other professional activities. Over the year 2019, BBVA continued with the work of communication and dissemination of the new Code of Conduct, as well as the training on its contents, whose online course has been carried out by a total of 118,897 employees.

In addition, since the introduction in Spain of the new criminal liability regime of the legal entity, BBVA has developed a model of **criminal risk management**, framed within its general internal control model, with the aim of specifying measures directly aimed at preventing criminal acts through a government structure suited to this purpose. This model, which is periodically subject to independent review processes, is intended to be a dynamic process in continuous evolution, so that the experience in its application, the changes in the activity and the structure of the Entity and, in particular in its control model, as well as the legal, economic, social and technological developments that occur will facilitate their adaptation and improvement.

Among the possible crimes included in the **crime prevention model** are those related to corruption and bribery, as there are a number of risks that could arise in this respect in an entity of the nature of BBVA. Among such risks are those related to activities such as the offering, delivery and acceptance of gifts or personal benefits, promotional events, payments for facilitating activity, donations and sponsorships, expenses, hiring of personnel, relationships with suppliers, agents, intermediaries and business partners, the processes of mergers, acquisitions and joint ventures or the accounting and inadequate recording of operations.

In order to regulate the identification and management of the aforementioned risks, BBVA has a body of internal regulations made up of principles, policies and other internal arrangements. Regarding the **principles**, the followings applicable to the disinvestment processes for BBVA Group goods or services in favor of Group employees, and those to be applied to those involved in BBVA's procurement process stand out.

Among the most prominent **policies** are the following:

- Anti-corruption policy,
- Policy for the prevention and management of conflicts of interest within BBVA,
- Responsible procurement policy,
- Event policy and policy for the acceptance of gifts related to major sporting events,
- Corporate travel policy, and
- Corporate event management policy.

Likewise, regarding to **other internal developments**, the following stand out:

- Management model for corporate and travel expenses for personnel.
- Management model for expenses and investment.
- Code of ethics for the recruitment of personnel.
- Code of ethics for suppliers.
- Rules relating to the acquisition of goods and services.
- Rules relating to gifts for employees from persons/entities outside the bank.
- Rules for delivery of gifts and organization of promotional events.
- Rules for authorizing the hiring of consultancy services.
- Rules on dealing with individuals of public importance in matters of finance and guarantees.
- Rules for delegating credit risk.
- Requirements for establishing and maintaining business relations with politically exposed persons (PEP).
- Manual for management of donations in the Responsible Business Department.
- Procedural manual (treatment and registration of communications in the whistleblower channel).
- Corporate rules for managing the outsourcing life cycle.
- Disciplinary regime (internal procedural rules).

The BBVA Group's **anti-corruption policy** develops the principles and guidelines contained, primarily, in section 4.3 of the Code of Conduct and conforms to the spirit of national and international standards on the subject, taking into consideration the recommendations of international organizations for the prevention of corruption and those established by the International Organization for Standardization (ISO).

The BBVA anti-corruption framework is not only composed of the aforementioned regulatory body, but also, in compliance with the crime prevention model, has a program that includes the following elements: i) a risk map, ii) a set of mitigation measures aimed at reducing these risks, iii) action procedures to face emergent risk situations, iv) training and communication programs and plans, v) indicators aimed at understanding the situation of risks and their mitigation and control framework, vi) a whistleblower channel, vii) a disciplinary regime, and viii) a specific government model.

In this context, it should be noted that BBVA takes into account the corruption risk present in the main jurisdictions in which it operates, based on the valuations published by the most relevant international organizations in this area.

Within the general training program in this area, there is an online course that describes matters such as the basic principles related to the Group's prevention framework on anti-corruption that reminds employees of BBVA's policy with respect to any form of corruption or bribery in its business activities.

BBVA was also awarded the AENOR certificate in 2017, which accredits that its criminal compliance management system conforms to Standard UNE 19601:2017. The certification was reviewed by this external entity in 2018 and 2019, with successful results.

Lastly, in July 2019 BBVA's **competition policy** was approved, which, if extended to the entire Group, represents a step forward in the development of standards of conduct in this area. The policy elaborates on principle 3.14 of the BBVA Code of Conduct on free competition and covers the most sensitive risk areas identified by national and international bodies, horizontal agreements with competitors, vertical agreements with non-competitive companies, as well as possible abusive practices (in the case of a dominant market position).

Additionally, the Group has taken other basic commitments including:

- Corporate Social Responsibility Policy (CSR),
- Human rights commitment,
- Sectorial rules for environmental and social due diligence,
- Environmental commitment,
- Rules of conduct in defense,
- Responsible procurement policy and
- Tax and fiscal principles.

Notwithstanding what is provided in "Other non-financial risks" of the Non-financial information report and "Risk factors" sections, during 2019 a number of criminal proceedings have been initiated against Group entities for various alleged offenses. Notwithstanding the above, up to the date of issuance of this Management Report, none of the BBVA Group entities has not been convicted by a final judgement of criminal responsibility.

Commitment to human rights

BBVA adheres to a Commitment to Human Rights that seeks to guarantee respect for the dignity of all people and the rights that are inherent to them. Under this perspective, the Bank decided to identify the social and labor risks that derive from its activity in the different business areas and countries in which it operates. Once these risks have been identified, the Group manages its possible impacts through processes specifically designed for this purpose (for example, the due diligence processes in Project finance under the Equator Principles or through existing processes that integrate the Human Rights perspective such as the supplier approval process or the diversity policy). On the other hand, the methodology for the identification, evaluation and management of BBVA's reputational risk is a crucial element to this management, since the assessment of reputational risks highlights the fact that human rights issues have the potential to have an impact on the bank's reputation.

In order to comply with the United Nations Guiding Principles on Business and Human Rights and with the responsibility of preventing, mitigating, and remedying **the potential impacts on human rights** in 2017 a due diligence process was carried out. The procedure used to identify and evaluate these risks or impacts was based on the aforementioned Principles and contributed to strengthen to detection and assessment of risks from the perspective of human rights.

As a result of the aforementioned process, the potential impacts of the operations on human rights were identified and mechanisms were designed within the Entity to prevent and mitigate them, making the adequate channels and procedures available to the affected party in order to ensure that, in case of any violation, the appropriate mechanisms remain in place to ensure all necessary repairs. In this process, certain key issues were identified that could potentially serve as levers for the improvement of the management system within the Group.

These issues are grouped into four areas that serve as the basis and foundation of the Group's **Action Plan on Human Rights** 2018-2020, which is public and is updated every year.

1. Policy and structure

The updating of the Human Rights Commitment, which was renewed in 2018, was recommended in the due diligence process. For this update, the Guiding Principles of Business and Human Rights guidelines, backed on June 16, 2011 by the United Nations Human Rights Council and, on the other hand, the results of the global process itself, were taken as reference markers for due diligence.

This commitment is articulated around the stakeholders with which BBVA is related: employees, customers, suppliers and society; and it includes the three pillars on which the aforementioned Guiding Principles are based, which are:

- state duty to protect,
- corporate responsibility to respect human rights,
- and the joint duty to implement mechanisms that ensure the remedy of possible human rights abuses.

All the individuals employed in the Group are responsible for making this commitment a reality on a day-to-day basis. Each area and employee has the duty to be familiar with all matters that pertain to them that may imply a violation of human rights, and implement the measures of due diligence to avoid it. However, BBVA has a structured governance model following the internal control model, composed of three lines of defense:

- The first line of defense consists of the Group's units directly responsible for the management of these risks.
- The second line of defense lies with the Responsible Business Department, which is also responsible for designing, implementing and improving commitment as well as acting as a second line of defense.
- The third line of defense is the Internal Audit Area.

2. Training and cultural transformation

With regard to the due diligence process, it is advisable to integrate the human rights perspective into:

- Internal and external communication plan,
- Plan on diversity and conciliation, and
- General and specialized training plan for employees.

Respect for the equality of people and their diversity is reflected in the **corporate culture** and management style, is a guiding principle of **employee** policies, especially those of selection, development and compensation, which guarantee non-discrimination based on gender, race, religion or age, and, as such, is included in the BBVA Code of Conduct.

Thus, this Code, among other matters, includes the treatment of discrimination, harassment or intimidation in labor relations, objectivity in the selection, hiring and promotion that avoids discrimination or conflicts of interest, among other issues, as well as safety and health in the workplace, employees must communicate any situation they understand that poses a risk to safety or health at work.

In addition, BBVA's Commitment to Human Rights assumes the commitment to the application, for example, of the content of the fundamental conventions of the International Labor Organization (**ILO**) such as those related to the elimination of all forms of forced labor; the effective abolition of child labor (minimum age and worst forms of child labor); and the elimination of discrimination in employment and occupation, among other commitments.

3. Processes improvement

After the analysis, the importance of strengthening the process of approval and evaluation of suppliers, and the operation and scope of the repair mechanisms was concluded.

From the point of view of **suppliers**, BBVA has a responsible purchasing policy and an ethical code of suppliers and, during 2018, reinforced compliance with the Commitment to Human Rights with the integration of the prism of human rights in the evaluation of suppliers in the approval process.

BBVA works to establish **remedy mechanisms** in the role of corporate lender, employer or as a company that hires services to others. As such, it is open to managing any issue raised by any of its stakeholders regarding its credit activity and in relation to performance in the field of human rights through two channels: the official listening channels of the Bank, aimed at clients, and external channels. An example of an external channel is the OECD's national contact points, whose objective is to admit and resolve claims related to losses of the OECD Guidelines for Multinational Enterprises.

In relation to employees, suppliers and society in general, the BBVA Code of Conduct includes an express mention of the commitment to human rights and provides a **whistleblower channel** to report possible breaches of the code itself.

4. Business and strategy alignment

The analysis recommended the inclusion of human rights criteria in strategic projects of the Group, such as the due diligence process in the acquisition of companies or the social and environmental framework.

In addition, as signatories to **Equator Principles**, BBVA complies with the requirement to conduct a due diligence analysis of potential human rights impacts in project finance operations. In case of detecting potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

Also within the framework of the Equator Principles, BBVA actively promotes the inclusion of free prior informed consent (FPIC), not only in emerging countries, but also in projects in countries where a robust legislative system is presupposed as well, which guarantees the protection of the environment and the social rights of its inhabitants.

BBVA is also a signatory of the **United Nations Global Compact Principles**, maintaining a constant **dialog** and exchange of experiences with other signatory entities (companies, SMEs, third sector entities, educational institutions and professional associations). Along the same lines, BBVA promotes a dialog with NGOs concerning its fiscal responsibility, and participates in various meetings with investors and stakeholders in which it follows up on issues related to human rights.

BBVA participates in different work groups related to human rights and is in constant dialog with its stakeholders. At a sectoral level, BBVA makes up part of the Thun Group, a group of global banks that works to understand how to better apply the United Nations Guiding Principles on Business and Human Rights in the practices and policies of financial institutions, and across various banking businesses.

In 2019, the **Responsible Banking Principles** have been signed officially after their launch in 2018 to which BBVA has adhered as one of the sponsors and founding banks for the initiative together with other 131 entities from all over the world. Under the auspices of the United Nations, these Principles are put forth with the aim of providing a sustainable financing framework and supporting the sector in a manner that shows its contribution to society. In this sense, the implementation guidelines expressly mention the importance of integrating the Guiding Principles of Business and Human Rights, in the implementation of the six principles, which are: 1. Alignment. 2. Impact and target setting, 3. Clients and Customers, 4. Stakeholders , 5. Governance and culture , and 6. Transparency and accountability.

Finally, in addition to these initiatives, and taking the relevance of the mortgage market in Spain into account, BBVA generated a social housing policy.

Social Housing Policy in Spain

BBVA's Social Housing Policy aims to offer solutions tailored to customers with mortgages that have difficulties in meeting their repayments. BBVA is looking at every re-financing option available in accordance with the customers' ability to pay, in order to allow them to keep their homes, what has been done for 81,000 customers so far. In addition, any situation can be referred to the Committee for the Protection of Mortgage Debtors for review, which analyzes cases in which the customers or their families face the risk of exclusion without legal protection, while providing individual solutions in accordance with each family's specific circumstances (refinancing, debt remission, payments in kind, rented social housing in the debtor's own home or the Bank's available homes, etc.).

In this regard, since the beginning of the crisis in Spain, BBVA has accepted more than 29,500 payments in kind from its customers.

In February 2012, BBVA decided voluntarily to adhere to the **Code of Good Practices** approved by the Government, which had the objective of granting benefits to certain families who had contracted a mortgage loan and who were at risk of exclusion. In light of the approval of Royal Decree-Law (RDL) 27/2012, of Law 1/2013 and, finally, of RDL 1/2015 and Law 9/2015, BBVA determined, in a proactive manner, to inform all of its customers currently involved in a foreclosure process of the existence of the aforementioned standards, and the extent of their effects, so that they might take advantage of the benefits described therein.

In 2018, BBVA transferred its real estate business to Cerberus Capital Management. The scope of the Social Housing Policy in Spain has adapted to this new situation, although it continued and is aimed at offering solutions that are tailored to mortgage holders who are experiencing difficulties in meeting their repayments.

In 2019, with the entry into force of Law 5/2019, of March 15, on the regulation of real estate credit contracts, the bank decided to reaffirm its adherence to the Code of Good Practice in the wording set out in this law, which extends the scope of application of the special **protective measures** to all loan or credit contracts secured by a real estate mortgage whose debtor is at the exclusion threshold and which are in effect on the date of entry into force or are subsequently entered into. The measures provided for in this Royal Decree-Law are also applicable to the guarantors of the principal debtor, as regards their habitual residence and with the same conditions as those established for the mortgagor.

BBVA has signed cooperation agreements with public entities for more than 1,000 houses.

Sustainable Finance

Banks play a crucial role in the **fight against climate change** and in achieving the United Nations Sustainable Development Goals thanks to their unique position in mobilizing capital through investments, loans, issues and advisory functions. They have effective measures in place to help tackle these challenges: On the one hand, providing innovative solutions to its customers to help them in the transition to a low-carbon economy and promoting sustainable financing; and on the other, integrating **environmental and social risks** in decision-making in a systematic manner.

BBVA's commitment to sustainable development is reflected in its global Environmental Commitment. Along these lines, in 2018, BBVA approved its climate change and sustainable development commitment to contribute to the achievement of the United Nations Sustainable Development Goals and to addressing the challenges arising from the Paris Climate Agreement. This **2025 Pledge** will help the Bank progressively align its activity with the Paris Agreement on climate change and achieve a balance between sustainable energy and investments in fossil fuels. The strategy is based on a threefold commitment:

1. To finance: BBVA is pledging to mobilize €100,000m in green finance, social infrastructure and sustainable agribusiness, social entrepreneurship and financial inclusion.
2. To manage the environmental and social risks associated with the Bank's activity in order to minimize its potential direct and indirect negative impacts.
3. To engage all stakeholders to collectively promote the financial sector's contribution to sustainable development.

In view of the activities in which BBVA Group engages, it has no environmental liabilities, expenses, assets, provisions or contingencies that are significant in relation to its net worth, financial position and results. For this reason, as of December 31, 2019, the attached consolidated Annual Accounts do not include any item that warrants inclusion in the environmental information document set out in Order JUS/318/2018, of March 21, which approves the new model for the entry of the consolidated annual accounts in the Mercantile Register for those obliged to publish them.

However, the transition to a sustainable economy is today a priority for all stakeholders and BBVA wants to play a relevant role in developing a more sustainable and inclusive world, as demanded by society, and helping its customers in the transition to that more sustainable future.

Specifically, BBVA wants to make a significant contribution to the fight against **climate change**, helping its customers in the transition to a low carbon economy. In addition, BBVA is committed to supporting **inclusive economic development**, both through its business and through the various social programs promoted by the Group.

Sustainable financing

Sustainable finance products are instruments that channel funds to finance customer transactions in sectors such as renewable energy, energy efficiency, waste management and water treatment, as well as access to social goods and services, including housing, education, health and employment. BBVA strives to contribute to creating the mobilization of capital needed to halt climate change and achieve the Sustainable Development Goals mentioned before. To this end, it has pledged to mobilize €100,000m in **sustainable financing** between 2018 and 2025.

BBVA used the activities included in the Green Bond Principles and the Social Bond Principles of the International Capital Markets Association as a benchmark to meet the objectives arising from its 2025 Pledge, under which the following types of sustainable financing were defined:

- Green financing for the transition to a low-carbon economy, which includes:
    - Certified green loans: those in which the object of the financing has positive environmental impacts and is certified by an accredited independent third party.
    - Loans linked to green indicators: when the price of the loan is linked to the improvement of certain pre-established indicators of environmental performance by the client.
    - Corporate finance to customers that undertake more than 80% of their activities in “green” sectors, according to the Green Bond Principles: renewable energy; sustainable water and wastewater management; clean transportation; and energy efficiency.
    - Financing of projects related to some of the aforementioned categories.
    - Green bonds intermediated: those issued by companies that channel funds to finance projects with a positive environmental impact (the Bank acts as a bookrunner).
    - Green solutions for retail customers.
- Social infrastructure and sustainable agribusiness:
    - Loans linked to social indicators: when the price of the loan is linked to the improvement of certain pre-established indicators of social performance by the client.
    - Corporate finance for customers with over 80% of their activity in sectors classified as social, according to the Social Bond Principles: health, education, community support and social housing.
    - Financing of high impact social infrastructure projects.
    - Sustainable agribusiness.
- Financial inclusion and entrepreneurship: loans to low-income communities, vulnerable micro-entrepreneurs, female entrepreneurs, as well as new digital models and impact investments.
- Other sustainable actions:
    - Loans linked to the KPI rating: those in which the price of the loan is linked to the overall performance of the client in terms of sustainability, taking as a reference the rating granted by an independent sustainability analysis agency.
    - Sustainable bonds intermediated: those issued by companies that channel funds to finance projects with a positive environmental and social impact (the Bank acts as a bookrunner).
    - Socially responsible investment, captured through vehicles with these characteristics marketed by BBVA.

Since the launch of its 2025 Pledge, BBVA has mobilized a total of €29,902m in sustainable financing, of which €18,087m in 2019, distributed as follows:

FUNDS MOBILIZED THROUGH THE 2025 PLEDGE (MILLIONS OF EUROS)

	2019 production	(%)
Green financing	**11,511**	**64**
Certified green loans	394	
Green KPI- linked loans	2,687	
Green corporate financing	4,379	
Green projects finance	1,120	
Green bonds	2,886	
Green retail financing	45	
Social Infrastructures and agribusiness	**1,601**	**9**
Social KPI- linked loans	78	
Social corporate finance	1,501	
Social infrastructures project finance	22	
Financial inclusion and entrepreneurship	**2,319**	**13**
Financial inclusion	685	
Loans to vulnerable entrepreneurs	1,426	
Loans to female entrepreneurs	92	
Impact investment	116	
Other sustainable mobilization	**2,656**	**15**
ESG- linked loans	1,137	
Sustainable bonds	497	
Socially responsible investment	1,022	
Total	**18,087**	**100**
Total 2025 Pledge (accumulated to 2019)	**29,902**	

Sustainable solutions for customers

In the **sustainable bonds** market, BBVA has been a highly experienced advisor when it comes to helping its customers **issue** green bonds since it took part in the first green bond issue by the European Investment Bank in 2007 and, more recently, as a **leading** institution in this type of initiative. BBVA has also been a signatory of the Green and Social Bond Principles since their inception, which are voluntary guidelines that establish the requirements for emissions transparency and promote integrity in the development of the green and social bond market.

In 2019, the Bank issued a second **green bond** for €1,000m, following its debut in the markets with its first issue of a green bond in 2018 for the same amount, the largest ever issued by a Eurozone entity, both in accordance with the framework for the issue of bonds linked to the Sustainable Development Goals published in 2018, which allows it to channel funds to finance projects in sectors that are in line with its 2025 Pledge. For its part, the Bank published the first **follow-up report** on its inaugural green bond, which helped reduce its carbon footprint by nearly 275,000 tonnes of CO_2 and generate 558 gigawatts/hour of renewable electricity by financing renewable energy and sustainable transport projects.

Overall, BBVA participated in 30 issues as a bookrunner, which involved the placement of €23,198m in total (with a BBVA market share of €3,383m).

In the area of **sustainable corporate loans**, in 2019, the Bank granted a total of €4,296m between certified green loans, green and social KPI- linked loans and ESG- linked loans.

In 2019, the Bank financed **sustainable projects** for a total amount of €1,142m, mainly in the renewable energy sector. Among the operations carried out during the year were the financing of 3 wind farms in Italy, 11 in Spain and the first offshore wind farm in France.

BBVA has a **Corporate Finance (M&A)** team dedicated to renewable energy operations, one of the most active in the sector. It is for this reason that BBVA is a leader in providing advice to energy companies, for their disinvestment in coal plants and the capital increase to finance and develop renewable energy projects.

In 2019, BBVA updated the sustainable transactional product framework that was published in 2018, to expand its reach to a greater number of sectors and customers that establish strategies to curb climate change and boost sustainable development.

Likewise, BBVA offers **sustainable solutions** for retail customers in various countries.

In Spain, it offers credit facilities to small businesses and individuals to purchase hybrid and electric vehicles, install renewable energy solutions and improve energy efficiency in buildings. In 2019, the catalog of available sustainable solutions was expanded, both in the area of mobility and energy efficiency. On the one hand, a specific SME funding line was launched for the replacement of their vehicle fleet with plug-in electrical or hybrid models. On the other hand, in the area of housing, a line of loans to property developers was launched, specifically aimed at developments with high energy certifications, which includes the innovative possibility that retail customers who purchase these homes will be able to benefit from an interest rate subsidy on their mortgage. Sustainable financing operations with Spanish companies of smaller segments also increased. In the retail investment sector, BBVA has a range of sustainable funds, such as the conservative multi-asset fund BBVA Futuro Sostenible ISR and the international equity fund BBVA Bolsa Desarrollo Sostenible. In addition, in 2019 the Bank has launched its first individual pension plan managed with SRI criteria, the BBVA Plan Sostenible Moderado.

In other areas, advances in equipment leasing linked to sustainability in Mexico, where an agreement was signed with the International Finance Corporation (IFC) to promote this product in 2019, and green mortgages, also marketed within the framework of the IFC agreement, and lines of loans for electric and hybrid vehicles in Turkey stand out.

Financial inclusion and entrepreneurship

BBVA is aware that greater financial inclusion has a favorable impact on the welfare and sustained economic growth of countries. The fight against financial exclusion is therefore consistent with its ethical and social commitment, as well as with its medium- and long-term business objectives. For this purpose, the Group has developed a **financial inclusion** business model to cover the low-income population in emerging countries within its global footprint. This model is based on the development of a responsible business model that is sustainable in the long term, shifting from a model that is intensive in human capital and of limited scalability to a scalable strategy that is intensive in alternative and digital channels with a multi-product focus. In short, this model is based on the use of new digital technologies, an increase in products and services offered through non-branch platforms and innovative low-cost financial solutions designed for this segment.

At the close of 2019, BBVA had 10 million active customers in this segment. Regarding the Group's initiatives in different geographies, in Mexico, work is underway to promote banking penetration for beneficiaries of family remittances and to digitize the segment, which currently has 23% of digital users.

In Colombia, zero-cost transfers can be made via cell phones and the Internet, with the aim of eliminating barriers and encouraging greater access to the financial system and online banking.

In Peru, the BIM electronic wallet continues to be strengthened with new features, such as payment for services such as electricity, water or gas, and at selected establishments.

Furthermore, Garanti continues to support the **inclusion of women** in the Turkish labor market within the framework of its Female Entrepreneur program.

Socially responsible investment

BBVA assumed its **commitment** to Socially Responsible Investment (**SRI**) in 2008 when it joined the UN Principles for Responsible Investment (PRI) through the employee pension plan and one of the Group's major asset managers in Spain, Gestión de Previsión y Pensiones. The goal then was to start building BBVA's own **responsible investment** model from the ground up, with the initial implementation focused on employment pension funds. At present, the objective is to extend the scope of this model to all managed portfolios.

In **2019**, BBVA Asset Management (BBVA AM) continued to adapt to the market and the changes within it, working to extend and improve the SRI solutions offered. The **strategies** implemented by the BBVA AM SRI model are the following:

- The **Integration of ESG** (environmental, social and governance) **criteria** into the investment process, carried out by developing a proprietary model that incorporates extra-financial criteria into a model portfolio, constructed according to fundamental analysis. This model, initially implemented in variable income and subsequently in fixed income, has been fully incorporated into the management of employment plans and SRI investment funds in Spain. In this regard, BBVA AM is working to incorporate ESG criteria into the investment process of all investment solutions handled in Spain.
- **Exclusion**: The Rules of Conduct in Defens eapply to all units and subsidiaries of the BBVA Group, and therefore to all vehicles that are managed within the AM business in all geographical areas. For its application, BBVA uses

exclusion lists of companies and countries, drawn up and updated periodically, with the help of an independent expert advisor. These lists include companies involved in controversial weapons and countries with high risk of violating human rights, which are automatically excluded from the list of companies in which BBVA can invest.

- **ESG analysis** of third-party funds, which also includes issues relating to their SRI performance.
- **Engagement** and exercise of political rights, through the attendance of 200 general shareholders' meetings (Spanish companies and foreign European companies) in 2019, whose shares are in the portfolios of the various investment vehicles managed by BBVA AM.

ASSETS UNDER MANAGEMENT WITH SRI CRITERIA (BBVA ASSET MANAGEMENT. MILLIONS OF EUROS)

	31-12-19
Total assets under management	**113,651**
Europe	75,645
Mexico	27,708
South America	6,341
Turkey	3,957
SRI strategy applied	
Exclusion (1)	113,651
Vote (2)	75,645
Integration (3)	8,844

(1) The exclusion strategy applies to 100% of the assets under management.

(2) The vote strategy applies to 100% of the assets under management in Europe for those instruments, in BBVA AM portfolios, that generate voting rights and their issuers are in the European geographical area.

(3) The integration strategy is applied in ISR pension plans and mutual funds of the Europe business.

Social and environmental impact management

As a financial institution, BBVA exerts an **impact** on the environment and society directly, through the use of natural resources and the relationship with its stakeholders; and indirectly, through its credit activity and the projects it finances.

In terms of environmental and social risks, BBVA's strategy aims to gradually integrate its management into the Group's Risk Management Framework, in order to mitigate them based on the principle of **prudence**.

Environmental risks

As part of its 2025 Pledge, BBVA committed to aligning its objectives with the Paris agreements. They envisage a reduction in emissions to limit the increase in temperature to 2ºC relative to the pre-industrial era. This commitment results in different actions aimed at mitigating these risks.

In analyzing the risks that may impact its business, BBVA identified two types of risk:

- **Transition** risks, both direct and indirect, resulting from changes in legislation, the market, consumers, etc.
- **Physical** risks arising from climate change, which may have acute effects due to specific climatic phenomena, or chronic effects due to changes in weather patterns over time.

BBVA has implemented various initiatives and plans in order to manage these risks. The objective is to **reduce** BBVA's **impact** on the environment, either directly or indirectly, and thus limit its exposure to this type of risk. For this reason, initiatives have been launched to try to assess these risks and incorporate them into the Bank's management framework.

This process includes the management of direct and indirect environmental impacts and the analysis of environmental risks, as described in the following sections.

Management of direct environmental impacts

As part of its commitment to reduce the direct environmental impact of its activity, BBVA continued to work in 2019 to reduce its environmental footprint through the **Global Eco-efficiency Plan** (GEP). This plan establishes the following strategic vectors and global objectives for the 2016-2020 period:

Vectors	Guidelines	Global target
Environmental management and sustainable construction	% occupants in certified buildings	46%
Energy and climate change	Consumption per occupant (kWh/ocup.)	-5%
	% of renewable energy sources	48%
	$CO_{2\,eq}$ emissions per occupant ($tCO_{2\,eq}$/ocup.)	-8%
Water	Consumption per occupant (m^3/ocup.)	-5%
	% occupants in buildings with alternative water source	9%
Paper and waste	Consumption per occupant (kg/ocup.)	-5%
	% occupants in buildings with separate waste collection	30%
Extension of the commitment	Awareness campaigns for employees and supplier	

These objectives are in line with those set out in 2025 Pledge: on the one hand, a 68% reduction in emissions; and on the other, 70% of the energy contracted by 2025 must come from renewable sources and 100% by 2030. In line with this last objective, BBVA is a member of the RE100 initiative, through which the world's most influential companies undertake to make their energy 100% renewable by 2050.

Moreover, BBVA was the first Spanish bank to adhere to the Science Based Targets initiative whose purpose is for member companies to set greenhouse gas emission reduction targets aligned with the level of decarbonization necessary to keep the global temperature rise below 2ºC on pre-industrial levels, as established by the Paris Agreement.

Together with these commitments, BBVA announced, within the framework of the UN Conference on Climate Change (COP25) held in Madrid in December 2019, the introduction of an internal price to CO_2 emissions from 2020, and the goal of being carbon neutral that same year.

MAIN INDICATORS OF THE GLOBAL ECO-EFFICIENCY PLAN

	2019	2018 [3]
People working in the certified buildings (%) [1]	49	45
Electricity usage per person (MWh)	5.43	5.70
Energy coming from renewable sources (%)	39	39
Co_2 emissions per person (T) [2]	1.82	1.97
Water consumption per person (m^3)	14.70	19.07
People working in buildings with alternative sources of water supply (%)	15	13
Paper consumption per person (T)	0.04	0.05
People working in buildings with separate waste collection certificate (%)	46	44

Note: indicators calculated based on employees and external staff.

[1] Including ISO 14001 and LEED certifications.

[2] Emissions calculated according to the market-based method.

[3] The data has been updated with respect to those published in previous reports due to post-2018 adjustments as well as the exclusion of Paraguay and Venezuela from the eco-efficiency data.

In 2019, the evolution of the Group's **environmental footprint** was very positive compared to the previous year, with reductions of 8% in CO2 emissions (according to the market-based method), of 5% in electricity consumption, of 23% in water consumption and of 19% in paper (each per person). The percentage of renewable energy consumption has remained at 39%, and the percentage of people working in buildings with environmental certification reached 49% by the end of the year.

The **measures** taken by BBVA to reduce its environmental footprint in 2019 are:

- Environmental management in buildings: 1,026 branches and 78 corporate buildings have their Environmental Management Systems certified under ISO 14.001:2015 in Argentina, Colombia, Spain, Peru, Uruguay, Mexico and Turkey. Furthermore, 15 buildings in Spain also have their Energy Management System certified under ISO 50.001:2018. The Group's 22 buildings and 9 branches are LEED certified for sustainable construction, including the Bank's main headquarters in Spain, Mexico, the United States, Argentina and Turkey. And 12 buildings and 2 branches have achieved this year the Energy Star certification in the United States, a program developed by the U.S Environmental Protection Agency created in 1992 to promote energy efficiency, thereby reducing the effect of greenhouse gas emission.
- Energy and climate change: 100% of the energy consumed in Spain comes from renewable sources, and in Mexico and the United States it has already reached 23 and 34%, respectively. Also, in 2019 construction began on the BBVA-sponsored wind farm, which will supply 30% of the bank's energy consumption in Spain from 2020, under the long-term power purchase agreement (PPA) signed last year. Mexico also signed a similar agreement for the supply of 65% of its energy consumption. Several countries such as Turkey, Uruguay and Spain have also committed themselves to the self-generation of renewable energy in their buildings, through the installation of solar photovoltaic and solar thermal panels. Lastly, the Group maintains its continuous effort to implement energy saving measures in its buildings. We should also note the time adjustments made with respect to the use of natural light in facilities.
- Water: Water is one of the resources with the greatest impact, and in order to reduce this impact initiatives have been implemented in Spain and Mexico, such as the installation of dry urinals in corporate headquarters, which will generate savings of 25,000 m^3.
- Paper and waste: The #BBVAPlasticFree project was launched with the aim of eliminating most of the single-use plastics in corporate headquarters, which has been replaced with biodegradable materials. Plastic bottles from catering services were also replaced with purified water fountains and digital freshwater stations in several buildings in Spain. These measures have helped to reduce the number of plastic bottles by more than 500,000 a year.
- Awareness campaigns: As in previous years, BBVA joined the "Earth Hour" initiative, during which 114 buildings and 183 Bank branches in 113 cities in Spain, Portugal, Mexico, Colombia, Argentina, Turkey, Peru, Uruguay and the United States turned off their lights to support the fight against climate change. Many awareness-raising activities were also carried out with employees in several countries to mark World Environment Day.

ENVIRONMENTAL FOOTPRINT (BBVA GROUP)	2019	2018 [6]
Consumption		
Public water supply (cubic meters)	2,061,431	2,696,274
Paper (tons)	5,747	7,114
Energy (Megawatt hour) [1]	855,938	898,265
CO_2 emissions		
Scope 1 emissions (tons CO_2e) [2]	16,899	17,781
Scope 2 emissions (tons CO_2e) market-based method [3]	195,590	209,362
Scope 2 emissions (tons CO_2e) location-based method [4]	297,920	307,827
Scope 3 emissions (tons CO_2e) [5]	56,699	65,289
Waste		
Hazardous waste (tons)	168	99
Non-hazardous waste (tons)	5,054	6,010

[1] Includes the consumption of electricity and fossil fuels (diesel oil, natural gas and LP gas), except fuels consumed in fleets.

[2] Emissions from direct energy consumption (fossil fuels), calculated based on the emission factors of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The IPCC Fifth Assesment Report and the IEA were used as sources to convert these to CO_2e.

[3] Emissions from electricity consumption, calculated based on the latest emission factors available from the IEA for each contry.

[4] Emissions from electricity consumption, calculated based on contractural and data or, failing this, on the latest emission factors available from the IEA for each country.

[5] Emissions from business trips by plane and from journeys made by employees in central services to the work place, using DEFRA 2017 factors. Emissions from journeys made by employees to the workplace were calculated for the first time in 2017 based on surveys conducted on a sample of employees and extrapolating the data to the total number of employees in central services. These emissions are not taken into account for the Global Eco-efficiency Plan.

[6] The data has been updated with respect to those published in previous reports due to post-2018 adjustments as well as the exclusion of Paraguay and Venezuela from the eco-efficiency data.

Regarding the direct impacts chapter, the Bank established a goal of reducing 68% of its emissions of scope 1 and 2, as well as a 70% consumption of renewable energy, in the framework of its 2025 Pledge.

Indirect environmental impacts

Managing the environmental impacts generated by its customers is part of 2025 Pledge. In order to manage these impacts, BBVA launched a series of initiatives and tools.

Sector norms

In 2018, BBVA launched sector-specific norms that allow it to perform enhanced due diligence on its customers, manage stakeholder expectations, mitigate risks and ensure compliance with the Corporate Social Responsability policy. The norms provide guidance for decision-making in relation to customers operating in sectors with the greatest **environmental and social impact**, such as defense, mining, energy, agriculture and infrastructure. They are available for consultation on the website of shareholders and investors of BBVA.

In addition, this year BBVA carried out an analysis of sectoral standards for **updating** and adapting to best market practices and new standards. The most important changes were the reduction from 40% to 35% of the coal threshold in the energy mix and the inclusion of the transport, exploration and production of oil sands among banned activities. In the rules on energy and agriculture, the mention of biofuels as an alternative in the fight against climate change was eliminated and new restrictions related to tobacco advertising were incorporated.

Equator Principles

Energy, transport and social service infrastructures, which drive economic development and create jobs, can have an impact on the environment and society. BBVA's **commitment** is to manage the financing of these projects to reduce and avoid negative impacts and enhance their economic, social and environmental value.

All decisions to finance projects are based on the criterion of **principle-based profitability**. This implies meeting stakeholder expectations and the social demand for adaptation to climate change and respect for human rights.

In line with this commitment, since 2004 BBVA has adhered to the **Equator Principles** (EP), which include a series of standards for managing environmental and social risk in project financing. The EPs were developed on the basis of the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's General Guidelines on Environment, Health and Safety. These principles have set the benchmark for responsible finance.

The analysis of the projects consists of subjecting each operation to an environmental and social due diligence process, starting with the allocation of a category (A, B or C), which reflects the project's level of risk. Reviewing the documentation provided by the customer and independent advisers is a way to assess compliance with the requirements established in the EPs, according to the project category. Financing agreements include the customer's **environmental and social obligations**. The application of the EPs at BBVA is integrated into the internal processes for structuring, acceptance and monitoring of operations, and is subject to regular checks by the Internal Audit Department.

BBVA has strengthened due diligence procedures associated with financing projects whose development affects **indigenous communities**. Where this is the case, free, prior and informed consent (FPIC) is required from these communities, regardless of the geographic location of the project. This implies extending the current EP requirement to all countries. In 2019, BBVA actively contributed to the development of the fourth version of the Principles through its participation in two working groups. At the global level, for projects that meet these new circumstances, the Equator Principles Financial Institution (EPFI) requires an independent environmental and social consultant to evaluate the consultation process with indigenous peoples, and the outcomes of this process. The voting process for the final document took place in October 2019 and was launched at the annual meeting in November. Members will have one year to adopt the new principles.

OPERATIONAL DATA ANALYZED ACCORDING TO THE EQUATOR PRINCIPLES CRITERIA

	2019	2018
Number of transactions	39	29
Total amount (millions of euros)	15,287	13,613
Amount financed by BBVA (millions of euros)	2,437	1,289

Note: of the 39 transactions analyzed, 16 fail under the Equator Principles, and the remaining 23 were analyzed voluntarily by BBVA using the same criteria in 2019 (29, 16 y 15, respectively, in 2018).

PACTA Methodology Used to Evaluate Loan Portfolios and Their Alignment with the Paris Agreement

One of the objectives of BBVA's climate change strategy is to gradually align the bank's activity with the Paris Agreement. To this end, it has joined other European banks in a joint commitment to develop methodologies for **evaluating portfolios** in sectors with the greatest impact and to align them progressively with the objectives set out in the Paris Agreement on climate change. The initial methodology that is going to be used is PACTA, developed by the think tank 2degree Investing Initiative.

This methodology consists of gaining a better understanding of the climate change strategy used by **customers** in these sectors, the technological changes required and the plans to reduce their carbon dioxide emissions. These simulations can be used to make a five-year projection of the customer's technological transition in a given industry and provide a comparison, in line with the scenarios offered by the International Energy Agency. In 2019, a test of the methodology was carried out in order to identify requirements and make a first analysis of the portfolio.

Environmental risk analysis

Analysis of transition risks with climate scenarios

BBVA participated in the pilot project developed by UNEP FI in 2018 2018 about the application of its methodology to establish scenarios and analyze the impact of the transition risk. From the results obtained in that project, the Bank decided to place special focus on scenario analysis. This analysis helps to identify specific risks within each sector (especially those most exposed to risk).

Physical risk analysis

The effect of these risks depends on the sector analyzed. BBVA decided to focus its pilot on the analysis of physical risks in the **mortgage** market, with an initial study of the Mexican market. The methodology proposed by Acclimatise (a consultant collaborator in the UNEP FI project).

Social Risks

BBVA addresses social risks from a perspective of prevention and mitigation of impacts. For this purpose, it uses tools such as sectoral rules or the Equator Principles, as described in the section on environmental risks above, which also have a social focus in certain aspects. BBVA also has a regulatory system for defense, which is described below.

Rules of conduct in defense

Since 2005, this standard has summarized BBVA's position on the defense industry, arguing that there are certain activities and products related to this sector that may be contrary to corporate principles and its own business rules. In 2019, BBVA updated this standard, the scope of which was extended in response to various demands from a number of stakeholders, mainly NGOs, standing out the following:

- Depleted uranium munitions and white phosphorus munitions were included in the definition of controversial weapons along with existing categorizations (anti-personnel mines, biological weapons, chemical weapons, cluster weapons, and nuclear weapons in certain cases).
- The scope was extended to all BBVA Group divisions and subsidiaries and to all services. Thus, the standard will also apply to third-party funds (Quality Funds) and will continue to be implemented in BBVA's advisory, investment and financing services for companies and projects related to the defense sector.
- As for customer bans, the ban on manufacturers of military assault weapons for civilian use was added.

Engagement with global initiatives

In 2019, BBVA maintained its involvement with the main international initiatives for sustainable development and sustainability: from global initiatives such as the United Nations Global Compact to those focused on environmental issues or the fight against climate change such as the Carbon Disclosure Project (CDP), the Katowice Commitment, the RE100, and the Science Based Targets. At the sectorial level, BBVA remains committed to groups such as the Thun Group on Banks and Human Rights, the Green Bond Principles, the Social Bonds Principles, the Green Loan Principles, the Equator Principles, the Principles for Responsible Investment (PRI) and the United Nations Environment Program Finance Initiative (UNEP FI).

It should be noted that in 2019, BBVA signed the Principles of Responsible Banking, promoted by UNEP FI, as a founding signatory. In addition, and within the framework of these principles, BBVA joined the Collective Commitment to Climate Action launched by 31 international financial institutions as part of the United Nations climate summit held in New York in September 2019. This commitment aims to align its products and services with a collective strategy to the climate crisis.

Sustainable Development Goals (SDG)

The SDGs were launched in 2015 within the framework of the United Nations and signed by 193 countries. The 17 objectives are framed within the Agenda 2030 on sustainable development, in order to protect the planet, to fight against poverty in an attempt to eradicate it and to secure a prosperous world for future generations. Each goal has a specific purpose and different targets to achieve it. Each target also has its own indicators to determine the degree of achievement of each goal. Similarly, this initiative aims to involve all stakeholders, from governments and businesses to civil society.

Based on the SDGs and the Paris Agreement, in 2018 BBVA announced its **strategy for climate change and sustainable development** in order to contribute to these two global initiatives. This strategy focuses on the mobilization of capital aimed at halting climate change and contributing to the achievement of the SDGs, as well as on the management of the environmental and social risks derived from its activity in order to minimize potential direct and indirect negative impacts. BBVA has also focused on involving all its stakeholders to collectively promote the financial sector's contribution to sustainable development. Due to the magnitude of this, the challenges arising from the SDGs and global warming can only be overcome with firm commitment from all. This requires awareness, shared knowledge, call to action, dialog and alliances with all stakeholders, as well as participation in international and sectorial initiatives that join forces.

Principles for Responsible Banking

BBVA is one of the 28 founding banks around the world that have worked on the preparation of Principles of Responsible Banking since April 2018. In 2019, these principles were officially signed and BBVA joined 131 other global financial institutions. This is an initiative coordinated by UNEP FI, the United Nations program for the environment and financial entities, and aims to respond to the growing demand of our different stakeholders to have a comprehensive framework that covers all dimensions of sustainable banking.

In this sense, BBVA believes that these Principles will help reaffirm its Purpose, enhance its contribution to both the United Nations Sustainable Development Goals and the commitments derived from the Paris Climate Agreements, and align its business strategy with these Principles.

The Katowice Commitment

BBVA, together with other European banks, has signed up to the Katowice Commitment, an initiative aimed at developing an **impact assessment** methodology to adapt our loan portfolio to the commitments of the Paris Agreement.

In an open letter addressed to world leaders and heads of state gathered at the 24th UN Climate Change Conference in Katowice, Poland, these banks committed to finance and design the financial services needed to support customers as they transition to a low-carbon economy.

Contribution to society

Investment in social programs

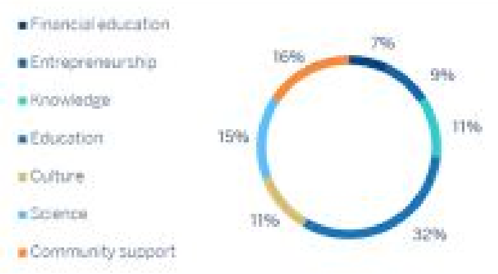
Through its social programs, BBVA acts as an engine of opportunity for people, seeks to generate a positive impact on their lives, and delivers its aim of making the opportunities of this new era available to those who face the most difficulty, the vulnerable. In 2019, the BBVA Group allocated **€113.8m** to social initiatives that benefited 11.5 million people. This figure represents 2.4% of net attributable profit.

In accordance with the Corporate Social Responsibility Policy, which was approved by the Board of Directors in 2018 and is available for inspection on the bbva.com website, BBVA implements its community involvement by supporting the development of the societies in which the Group operates through financial activity, as well as through social programs focusing on education, financial education, entrepreneurship, and knowledge. To this end, in 2019 BBVA continued to promote the main lines of action established in the Community Investment Plan, which it believes are still significant to the societies in which it operates, extending its scope to cover:

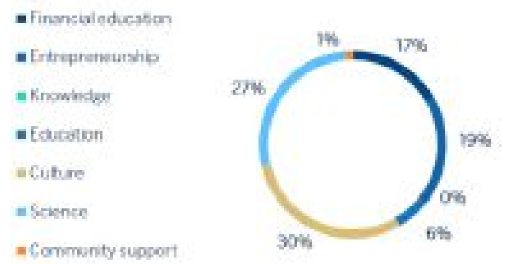
- **Financial education**, to improve people's financial health through training in financial skills and competencies, through face-to-face and digital channels.
- **Social entrepreneurship**, by supporting the most vulnerable entrepreneurs and those who generate a positive social impact via their companies, as well as raising the visibility of their initiatives.
- **Knowledge**, **education and culture**, through support for initiatives that promote the sustainable development of societies and enable the creation of opportunities for people.

Other initiatives, which include support for social entities, volunteer work/community service, and the promotion of corporate responsibility, both from corporate areas and from individual local banks, are developed to address different social challenges.

INVESTMENT IN SOCIAL PROGRAMS BY FOCUS OF ACTIONS. 2019



BENEFICIARIES OF SOCIAL PROGRAMS BY FOCUS OF ACTIONS. 2019



Investment in BBVA's social programs is channeled through its local banks and certain foundations. They play a fundamental role in the **development of the societies** in which the Group has a presence.

The BBVA Foundation focuses on knowledge enhancement, culture, the dissemination of science and art, as well as the recognition of talent and innovation. Its activity is grouped into five strategic areas: Environment, Biomedicine and Health, Economy and Society, Basic Sciences and Technology, and Culture. In each one of these, it designs, develops and finances research projects, either individually or in teams; facilitates advanced and specialized training through scholarships, courses, seminars and workshops; awards prizes to researchers and professionals who have contributed significantly to the advancement of knowledge; and communicates and disseminates this knowledge through publications and conferences.

INVESTMENT IN SOCIAL PROGRAMS (MILLIONS OF EUROS AND PERCENTAGE)

	2019	%	2018	%
Spain and corporative areas	28.9	25	28.1	27
The United States	14.1	12	11.1	11
Mexico	30.9	27	25.3	24
Turkey	4.7	4	5.2	5
South America	4.8	4	3.9	4
Other foundations [1]	30.4	27	30.9	30
Total	**113.8**	**100**	**104.5**	**100**

[1] It mainly includes the BBVA Foundation.

Financial education

Its global objective is to **promote** a concept of financial education in a broad sense through the Global Financial Education Plan, which is based on three lines of action:

- Financial education for society: promote the acquisition of knowledge, skills and attitudes in all countries in which BBVA has a presence, through its own programs and in collaboration with third parties, with the aim of achieving greater knowledge of financial concepts and a change in behavior in financial decision-making, enabling the improvement of people's **financial health**. In 2019, a total of 1.9 million children and young people, adults and SMEs benefited from local initiatives. This year, the Group began to reduce its initiatives involving financial education for children, resulting in a 6% decrease in the number of beneficiaries.
- Financial education in customer solutions: Integrate financial capabilities into the customer experience. In order to facilitate informed decision-making and improve their financial well-being, financial education content was integrated into customer solutions in 2019.
- In 2019, 20,110 users accessed financial education content published on bbva.com and 288 people attended events held by the Center for Education and Financial Capabilities.

In 2019, €7.7m were spent on financial education. BBVA's commitment to financial education is long-term, with €89m invested and 15.5 million people benefiting from different programs since 2008.

Entrepreneurship

In 2019, BBVA allocated €9.8m to entrepreneurship initiatives that benefited 2.2 million people. The following are among the global initiatives related to entrepreneurship:

- BBVA Momentum is a global program that helps social entrepreneurs grow and broaden their impact. It includes training, strategic accompaniment, networking and access to funding. 167 entrepreneurs from Colombia, the United States, Mexico and Turkey participated in 2019.
- BBVA Open Talent is a fintech startups competition that aims to foster innovative technological solutions and raise awareness of emerging projects capable of transforming the financial sector. In 2019, 770 startups from 95 countries participated, with 290 professionals involved.

Knowledge, education and culture

Regarding the knowledge, education and culture activities, €77.6m were invested, benefiting 7.2 million people in 2019.

BBVA contributes to the dissemination of **knowledge** through BBVA Research, the BBVA Foundation and BBVA Open Mind. In 2019, BBVA Research made 1,245 publications available to shareholders, investors and the general public, including economic studies, reports and analysis, and have been viewed by 363,591 people. For its part, the main initiatives to support science (research, knowledge spaces, recognition and networking) benefited 3.1 million people.

Education for society is an important aspect of BBVA's social investment (32%), as it continues to support access to education, educational quality and the development of 21st century key skills as sources of opportunity, benefiting 672,200 people in 2019.

With the educational project *Aprendemos juntos* (Let's learn together), BBVA aims to lead and promote conversation on education in the 21st century, taking into account the fact that education provides a great opportunity to improve people's lives. The project, which was launched in January 2018 with a transformative mission that aims to create opportunities in more than 3 million homes and their educational community. In two years, the project is followed by more than 2.5 million people on social networks, with more than 700 million views of its inspiring content, and 55,264 teachers and parents being trained through the online courses.

The promotion of **cultural creation** of excellence is one of BBVA Foundation's cornerstones for generating knowledge. It focuses its support on classical music, with an emphasis on contemporary music, plastic arts, video and digital art, literature and theater. In 2019, 3.4 million people benefited from the cultural initiatives promoted by the BBVA Foundation. Likewise, the various local banks that make up the Group promote the culture in their respective countries through a great different range of activities.

Other contributions

BBVA's **community support** activity extends to other relevant activities, such as volunteer work/community service (more information in the Working Environment section of the chapter Questions relating to personnel), support for social entities and the promotion of corporate responsibility through participation in different working groups (more information in the section on Involvement in global initiatives in the chapter on Sustainable Finance).

In terms of contributions to foundations and non-profit organizations, the global amount of these contributions in 2019 reached €8.0m.

As a result of all the investments done in the framework of the Community Investment Plan, 11.5 million people benefited from it in 2019. Continuative objectives have been established for this year as well as management objectives to achieve an improved quality of the information related to the direct beneficiaries of the social programs.

GOALS AND PROGRESS RELATED TO THE DIRECT BENEFICIARIES OF THE SOCIAL PROGRAMS (MILLION PEOPLE. 2019)

	Goal	Progress
Finance education	0.7	1.9
Entrepreneurship	2.2	2.2
Knowledge	0.0	0.0
Education	0.6	0.7
Culture	1.5	3.4
Science	1.5	3.1
Others	0.0	0.2
Total	**6.4**	**11.5**

Fiscal transparency

Fiscal strategy

BBVA's fiscal strategy, which has been approved by its Board of Directors and is available for consultation on the bbva.com website, is aligned with the Group's **commitment** to provide the best solutions for its customers, to offer profitable and sustained growth to its shareholders and to collaborate in the progress of the societies in which it is present—in short, to make the opportunities of this new era available to all.

This strategy is also part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Group behaves with respect to taxes. This strategy is global in scope and affects everyone within the Group. **Compliance** with the strategy is very important, given the scale and impact that the tax contributions of large multinationals such as BBVA have on the jurisdictions in which they operate. Effective compliance with the provisions of the fiscal strategy is duly monitored and supervised by the Bank's governing bodies.

Accordingly, BBVA's **fiscal strategy** is based on the following basic points:

- The payment of taxes in all the countries in which the Group has a presence, as an important contribution to the sustainability of their various economies.
- Economic activities that generate sustainable value for all its stakeholders.
- Reasonable interpretations of tax regulations, as well as of the provisions contained in the agreements to avoid double taxation.
- The establishment of a transfer pricing policy for all transactions between related parties and entities, governed by the principles of free competition, value creation and assumption of risk and benefits.
- Adaptation to the digital environment in order to face the fiscal challenges it poses.
- The establishment of a cooperative relationship with tax authorities, based on the principles of transparency, mutual trust, good faith and loyalty.
- The promotion of a transparent, clear and responsible reporting strategy on its main fiscal related matters.
- Assessing tax implications for customers of new financial products, including relevant information for complying with tax obligations.

Both the strategy and the resulting fiscal policies are inspired by the OECD's Base Erosion and Profit Shifting Project (BEPS) reports and reflect the commitment to comply with and respect the letter and spirit of tax law in the jurisdictions in which the Group operates, in accordance with Chapter XI of the OECD Guidelines for Multinational Enterprises.

Tax risk management and governance model

BBVA employs a governance model related to tax and fiscal risk control mechanisms.

The fiscal strategy has been developed through **tax policies** that have been duly communicated to all BBVA employees. The Group also has whistleblowing channels to report breaches of its Code of Conduct and its fiscal strategy. Fiscal risk management mechanisms are also in place to ensure that the Group's tax obligations are being fulfilled.

The head of the Tax Department regularly appears before governing bodies charged with duties in this area, in order to report on the Group's main tax figures and the fiscal risk management measures it has adopted.

Cooperation with tax authorities

BBVA has a cooperative relationship with the tax authorities in the countries in which it operates. Notably, as an active member of the Spanish Large Corporations Forum, BBVA is subject to the CBPT (Código de Buenas Prácticas Tributarias — Code of Good Tax Practices) adopted by the Forum on July 20, 2010.

The Group has once again voluntarily submitted the Annual Fiscal Transparency Report for Companies Adhering to the Code of Good Tax Practices and its corporate income tax declaration for the previous year, which included its performance and proposals to strengthen the good practices on fiscal transparency—adopted in a plenary session of the Spanish Large Corporations Forum on December 20, 2016—for companies adhering to the Code.

BBVA also adopted the Code of Practice on Taxation for Banks, a United Kingdom initiative that describes the expected approach from financial institutions in terms of governance, tax planning and engagement with the United Kingdom tax authorities, in order to promote the adoption of best practices in this area, which is published on the BBVA website.

Lastly, as a financial institution, BBVA is classed as a cooperative institution in terms of tax collection in the countries in which it operates.

Total tax contribution

BBVA is committed to provide **transparency** in the payment of taxes and this is the reason why for yet another year, as the Group has been doing since 2011, it voluntarily breaks down the total tax contribution in countries in which it has a significant presence.

BBVA Group's **total tax contribution** (TTC), which uses a method created by PwC, includes its own and third-party payments of corporate taxes, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year arising from tax litigation in relation to the aforementioned taxes. In other words, it includes both the taxes related to the BBVA Group companies (taxes which represent a cost to them and affect their results) and taxes collected on behalf of third parties. The TTC Report provides all the stakeholders with the opportunity to understand BBVA's tax payment and represents a forward-looking approach, as well as a commitment to corporate social responsibility, by which it assumes a leading position in fiscal transparency.

GLOBAL TAX CONTRIBUTION (BBVA GROUP. MILLIONS OF EUROS)

	2019	2018
Own taxes	3,702	4,502
Third-party taxes	5,588	5,250
Total tax contribution	**9,290**	**9,752**

Offshore financial centers

The BBVA Group maintains an express **policy** on activities in entities permanently registered in offshore financial centers, which includes a plan for reducing the number of offshore financial centers in which the Group is present.

As of December 31, 2019, BBVA's permanent establishments registered in offshore financial centers considered tax havens by both the OECD and Spanish regulations are securities companies: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company. In 2018, the Group closed its branch in the Cayman Islands.

Issuers of securities

BBVA Group has four **issuers** registered in Grand Cayman, two of which belong to the Garanti Group.

BRANCH AT OFFSHORE ENTITIES (BBVA GROUP. MILLIONS OF EUROS)

Securities issuers	31-12-19	31-12-18
Subordinated debts [(1)]		
BBVA Global Finance LTD	178	175
Other debt securities		
Continental DPR Finance Company [(2)]	35	48
Garanti Diversified Payment Rights Finance Company	1,604	1,793
RPV Company	1,355	1,329
Total	**3,172**	**3,345**

[(1)] Securities issued before the enactment of Act 19/2003 dated 4 July, 2003.
[(2)] Securitization bond issuances in flows generated from export bills.

Supervision and control of the permanent establishments of the BBVA Group in offshore financial centers

BBVA Group has established the same risk management **policies and criteria** for all its permanent establishments in offshore financial centers as for the rest of the entities within the Group.

The BBVA Internal Audit Area, in the annual reviews of all offshore financial centers permanent establishments of the BBVA Group verifies: i) the adequacy of its operations to the definition of the corporate purpose, ii) compliance with corporate policies and procedures regarding customer knowledge and prevention of money laundering, iii) the veracity of the information sent to the parent company, and iv) compliance with tax obligations. In addition, it annually carries out a specific review of the Spanish regulations applicable to transfers of funds between the Group's banks in Spain and its entities established in offshore financial centers.

In 2019, both the Internal Audit Area and the BBVA Compliance Department monitored the action plans derived from the audit reports of each of the establishments

For 2019, as far as **external audits** are concerned, all of the BBVA Group's permanent establishments registered in offshore financial centers have the same external auditor (KPMG), except Continental DPR Finance Company.

Other tax information by countries

TAX INFORMATION BY COUNTRIES (MILLIONS OF EUROS)

	2019				2018			
	CIT payment cash basis	CIT expense consol	PBT [(1)] consol	Subsidies	CIT payment cash basis	CIT expense consol	PBT [(1)] consol	Subsidies
Spain [(2)]	(15)	226	(911)	-	534	307	1,295	-
The United States	135	123	751	-	165	188	977	-
Mexico	964	993	3,544	-	903	902	3,241	-
Turkey	246	289	1,151	-	422	269	1,225	-
Colombia	97	128	438	-	85	117	355	-
Argentina	27	37	234	-	32	116	66	-
Peru	205	172	636	-	146	163	584	-
Venezuela	-	1	(8)	-	-	20	2	-
Chile	30	19	69	-	365	43	205	-
Uruguay	11	8	53	-	15	6	37	-
Paraguay	8	3	34	-	9	3	35	-
Bolivia	3	3	11	-	2	2	9	-
Brazil	-	-	-	-	-	-	-	-
Curaçao	-	-	6	-	-	-	6	-
Romania	4	7	43	-	1	4	38	-
Portugal	5	10	46	-	6	27	59	-
Netherlands	1	3	10	-	7	5	20	-
Switzwerland	12	1	6	-	9	1	4	-
Finland	-	-	(20)	-	-	-	(12)	-
Ireland	-	-	-	-	-	2	10	-
United Kingdom	2	3	45	-	3	2	21	-
Hong Kong	-	5	38	-	-	1	14	-
France	17	11	39	-	14	12	36	-
Italy	3	9	26	-	8	8	29	-
Germany	21	(11)	9	-	17	1	16	-
Belgium	-	-	2	-	-	-	2	-
China	-	-	(2)	-	-	-	(1)	-
Singapore	1	1	8	-	1	1	7	-
Japan	-	-	1	-	-	-	-	-
Taiwan	-	(1)	(2)	-	-	-	(2)	-
Chipre	6	7	31	-	3	7	30	-
Malta	9	8	111	-	6	10	136	-
Total	**1,792**	**2,053**	**6,398**	**-**	**2,753**	**2,219**	**8,446**	**-**

Note: the results of this breakdown of the branches are integrated in the financial statements of the parent companies on which they depend.

(1) PBT: Profit before tax.

(2) In 2019, in "CIT payments cash basis", the methodology for calculating advance payments of the annual tax return provided for in Corporate Income Tax legislation, may lead to differences between the advance payments made in the current year and the refund of those advance payments made in previous years resulting once the annual corporate income tax return has been submitted. As a result of these differences, there has been a net cash refund. The amount of "Profit before taxes includes Corporate Center (see "Business Area" section within this consolidated Management Report).

During 2019, BBVA Group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant, as mentioned in the Appendix XIII - Annual Banking Report of the attached Consolidated Financial Statements.

Suppliers

BBVA understands that integrating ethical, social and environmental factors into its supply chain is part of its responsibility. Thus, in 2019, the Group consolidated the transformation of the purchasing function, which is based on the three basic **pillars** of the procurement model:

- **Service**, maximizing the quality and experience of the internal customer, who is accompanied throughout the process.
- **Risk**, limiting the Group's operational risk in supplier contracts, thus ensuring compliance with regulations and processes.
- **Efficiency**, contributing to the Group's efficiency through the proactive management of costs and suppliers.

ESSENTIAL DATA ABOUT SUPPLIERS (BBVA GROUP)

	2019	2018
Number of suppliers [(1)]	4,669	4,620
Volume provided by suppliers (millions of euros) [(1)]	7,696	7,478
Average payment period to suppliers (days)	24	22
Suppliers satisfaction index [(2)]	84	n.a.
Number of approved suppliers	5,463	5,819

n.a. = not applicable.
[(1)] Payments to third parties. Suppliers lower than 100.000 euros are not included.
[(2)] Bienal survey.

As part of the procurement process, BBVA strives to correctly manage the real and potential impacts that an entity such as BBVA may cause, through a series of **mechanisms and rules**: a responsible purchasing policy, a standardization process and the Corporate Rules for the Acquisition of Goods and Contracting of Services. These **impacts** may be environmental, caused by bad labor practices carried out in supplier companies, a result of the absence of freedom of association, human rights, and can have either a positive or negative impact on society.

Through the implementation of the Supplier Code of Ethics in the purchasing units of all countries in which the Group is present, minimum standards of behavior in terms of ethical, social and environmental conduct were established which suppliers are expected to follow when providing products and services. In addition to the ethical supplier code, BBVA maintains a responsible procurement policy.

Responsible procurement policy

The Responsible Procurement Policy establishes, among other aspects, that it is necessary to ensure compliance with all applicable legal requirements throughout the provisioning process regarding **human**, **labor**, **association and environmental rights** by all parties involved in this process as well becoming involved in the Group's efforts aimed at preventing corruption. In the same way, it is ensured that the selection of suppliers remains in compliance with existing internal regulations at all times and, in particular, with the values of the Group's Code of Conduct, based on respect for legality, commitment to integrity, competition, objectivity, transparency, creation of value and confidentiality. The following are included among the clauses contained in the specifications and in the contractual model:

- Compliance with current legislation in each locality and, in particular, with the obligations imposed on it by its personnel, Social Security or alternative provision systems, hiring of foreign workers, the Public Treasury, public records, among others.
- Compliance with current legislation on the social integration of individuals with disabilities.
- Clauses that ensure that non-discrimination policies are established for reasons of gender, as well as measures to reconcile work and family life.
- Equality clause.
- Compliance with all labor, occupational health, and safety legislation.
- Anti-corruption declaration.
- Adherence to the United Nations Global Compact.

The Responsible Procurement Policy also establishes, as one of its principles, the "raising awareness, in terms of social responsibility, among staff and other interested parties involved in the procurement processes of the Group".

Supply chain

BBVA operates a technological platform, the Global Procurement System (GPS), which supports all phases of the Group's **procurement process**, from budgeting to invoice registration, including electronic invoicing. In 2019, the platform is operational in Spain and Mexico (legally), Peru, Colombia, Argentina, Venezuela and the South American Hub.

Additionally, within the GPS, BBVA also has an electronic catalog procurement tool (SRM), which can be accessed via the Intranet and is designed to issue decentralized procurement requests, i.e., directly from the user area. SRM is available in Spain, Mexico, and Peru.

BBVA has a **supplier portal** that facilitates the Group's online relationship with its suppliers. It is a collaborative environment targeted at companies and self-employed workers who work or are interested in working with the BBVA Group, allowing them to electronically interact with the Bank throughout the supply cycle. The supplier portal consists of two environments: a public one, accessible from the web (https://suppliers.bbva.com), which provides general information on the procurement process and on the relevant aspects of their purchasing model; and a private one, which allows suppliers to operate online, from tendering (electronic auctions) and approval to payment (electronic invoicing).

In addition to the portal, there is also a supplier directory, an internal tool that can be accessed via the Intranet, allowing users to consult contact data and general information about the Bank's suppliers.

Supplier management

BBVA carries out a supplier **approval** process which consists of assessing the financial, legal, labor and reputational situation of suppliers, in order to ascertain their basic technical skills and legal responsibilities (labor or environmental regulations, among others). This allows them to promote their civic responsibilities and confirm that they share the same values as the Group in terms of social responsibility. In this process, suppliers must comply with the following points:

- Compliance with the social and environmental principles of the UN.
- Adoption of internal measures to guarantee diversity and equal opportunities in the management of human resources.
- Adoption of measures to promote occupational health and safety and the prevention of workplace accidents and incidents.
- Support for the freedom of affiliation and collective bargaining of its workers in all the countries in which it operates.
- Possession of a code of conduct or policy to avoid forced labor, child labor and other violations of human rights, both within the company itself as well as in its subcontractors.
- Possession of a code of conduct or policy designed to avoid corruption and bribery.
- Participation or collaboration in activities related to culture, scientific knowledge, sports, the environment or disadvantaged sectors, either through direct actions or by means of donations, in collaboration with other organizations or institutions.
- Hiring of persons with disabilities.
- Existence of a corporate responsibility policy within the company.

Approval is reviewed periodically and is subject to continuous monitoring. Thus, in 2019, as part of this improvement process, the alert system for approved suppliers was upgraded in order to provide up-to-date information on certain events that may affect their solvency or risk. At year end of the year, the percentage of approved suppliers was 45%, accounting for 88% of the total awarded contracts.

Security companies, especially those critical to these matters, have established compliance with current legislation with regard to specifications and contracts, with special attention provided to labor legislation and the specific laws applicable to these types of companies, as well as compliance with human rights obligations, non-discrimination and equality policies, etc.

In terms of local suppliers, these represent 97% of BBVA's total suppliers in 2019, and 95% of total turnover, which facilitates contributions to the economic and social development of the countries in which the Group is present. A local supplier, in this context, is one whose tax identification matches the country of the company receiving the goods or services.

On the other hand, the turnover of **special employment centers** (CEEs, for its acronym in Spanish) in Spain to the Bank reached €3.1m for the year. The hiring of CEEs favors inclusion and diversity.

In 2019, the Internal Audit Area conducted audits of suppliers on the processes of supply of goods and services from different areas and on the services provided by certain suppliers, mostly outsourcing. These are risk-based audits, and reviews are carried out according to a defined internal methodology.

NUMBER OF SUPPLIERS AND TURNOVER BY COUNTRY

	2019		2018	
Suppliers [1] and annual turnover [2]	Number of suppliers	Annual turnover (millions of euros)	Number of suppliers	Annual turnover (millions of euros)
Spain	1,429	2,401	1,308	2,667
The United States	854	732	809	683
Mexico	1,371	3,564	1,258	3,033
Argentina	310	369	382	421
Chile	-	-	153	93
Colombia	220	231	213	229
Peru	295	270	281	246
Venezuela	55	66	63	34
Paraguay	43	16	51	18
Uruguay	54	29	50	26
Portugal	38	17	52	27
Total	**4,669**	**7,696**	**4,620**	**7,478**
Total suppliers [3]				
Spain	25,776	2,542	28,065	2,827
The United States	18,333	814	12,890	755
Mexico	8,083	3,692	7,703	3,153
Argentina	2,031	393	2,294	455
Chile	17	0	980	106
Colombia	2,314	256	2,484	255
Peru	2,318	296	3,754	273
Venezuela	501	68	911	38
Paraguay	1,078	23	1,069	24
Uruguay	586	35	552	33
Portugal	635	22	732	33
Total	**61,672**	**8,142**	**61,434**	**7,952**

Excluding Turkey.
[1] Including suppliers and creditors.
[2] Payments made to third parties (not including suppliers with amounts less than €100,000). Cash flow criterion.
[3] Including all suppliers, creditors and third parties invoicing to BBVA without a limit to the amount.

AVERAGE PAYMENT PERIOD TO SUPLLIERS [1] (DAYS)

	2019	2018
Spain	51	46
The United States	5	4
Mexico	14	15
Argentina	39	34
Chile	-	29
Colombia	28	30
Peru	9	11
Venezuela	18	25
Paraguay	30	30
Uruguay	3	3
Group average [2]	**24**	**22**

Excluding Turkey and Portuagl.
[1] Average payment period calculated as an average resulting from the difference between the payment date and the base date. With no weighing by amount.
[2] Total average payment period is calculated based on a ponderation between the different geographies as is not possible to be done taking the whole invoice data.

Other non-financial risks

Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). Such investigation includes the provision of services by Cenyt to the Bank. On 29th July, 2019, the Bank was named as an official suspect (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could be constitutive of bribery, revelation of secrets and corruption. Certain current and former officers and employees of the Group, as well as former directors have also been named as official suspects in connection with this investigation. The Bank has been and continues to proactively collaborate with the Spanish judicial authorities, including sharing with the courts the relevant information from its on-going forensic investigation regarding its relationship with Cenyt. The Bank has also testified before the judge and prosecutors at the request of the Central Investigating Court No. 6 of the National High Court.

On February 3, 2020, the Bank was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings.

This criminal judicial proceeding is at a preliminary stage. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group's reputation caused thereby.

Contents index of the Law 11/2018

		Page / Section Management report BBVA 2019	GRI reporting criteria	Pages
General information				
Business model	Brief description of the group's business model	Strategy and business model	GRI 102-2 GRI 102-7	13-16
	Geographical presence	About BBVA	GRI 102-3 GRI 102-4 GRI 102-6	2
	Objectives and strategies of the organization	Strategy and business model	GRI 102-14	15-16
	Main factors and trends that may affect your future evolution	Environment Evolution in the Strategic Priorities	GRI 102-14 GRI 102-15	5-12:15-16
General	Reporting framework	Non-financial information report	GRI 102-54	3
Management approach	Description of the applicable policies	Customer security and protection Staff information & Professional development Ethical behavior Sustainable finance	GRI 103-2	29-30:31-34:50-56:60-64
	The results of these policies	Customer security and protection Staff information & Professional development Ethical behavior Sustainable finance	GRI 103-2	29-30:31-34:50-56:60-64
	The main risks related to these issues involving the activities of the group	Strategy and business model Customer security and protection Staff information & Professional development Ethical behavior Sustainable finance	GRI 102-15	15-16:29-30:31-34:50-56:60-64
Environmental questions				
Environmental management	Current and predictable impacts of the company's activities on the environment and, if applicable, on health and safety.	Social and environmental impact management/Environmental risks	GRI 102-15	65-69
	Environmental assessment or certification procedures	Social and environmental impact management/Environmental risks	GRI 103-2	66-67
	Resources dedicated to the prevention of environmental risks	Sustainable Finance Social and environmental impact management	GRI 103-2	60:65-69
	Application of the precautionary principle	Social and environmental impact management	GRI 102-11	65-69
	Amount of provisions and guarantees for environmental risks	Sustainable Finance	GRI 103-2	60
Contamination	Measures to prevent, reduce or repair air pollution emissions (including noise and light pollution)	Social and environmental impact management	GRI 102-46	66
Circular economy and waste prevention and management	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	Social and environmental impact management	GRI 103-2 GRI 306-2	66
	Actions to combat food waste	BBVA Group considers this indicator not to be material.	GRI 103-2 GRI 306-2	
Sustainable use of resources	Water consumption and water supply according to local constraints	Social and environmental impact management/Environmental risks	GRI 303-5 (2018 GRI version)	66-67
	Use of raw materials and measures taken to improve the efficiency of their utilization	Social and environmental impact management/Environmental risks	GRI 102-46	66-67
	Energy use, direct and indirect	Social and environmental impact management/Environmental risks	GRI 302-1	66-67
	Measures taken to improve energy efficiency	Social and environmental impact management/Environmental risks	GRI 103-2 GRI 302-4	66
	Use of renewable energies	Social and environmental impact management/Environmental risks	GRI 302-1	66
Climate change	The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	Social and environmental impact management/Environmental risks	GRI 305-1 GRI 305-2 GRI 305-3	66-67
	Measures taken to adapt to the consequences of climate change	Social and environmental impact management/Environmental risks	GRI 103-2	65-69
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	Social and environmental impact management/Environmental risks	GRI 305-4 GRI 305-5	65

Protection of biodiversity	Measures taken to protect or restore biodiversity	Sustainable Finance Social and environmental impact management / Principles of Ecuador The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity.	GRI 102-46	60:67-68
	Impacts caused by activities or operations in protected areas	Sustainable Finance Social and environmental impact management / Principles of Ecuador The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity.	GRI 102-46	60:67-68
Social and personnel questions				
Employees	Total number and distribution of employees according to country, gender, age, country and professional classification	People management	GRI 102-8 GRI 405-1	35-37
	Total number and distribution of work contract modalities	Professional development	GRI 102-8	38-39
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	Professional development	GRI 102-9	38-40
	Number of dismissals by sex, age, and professional classification	Work environment	GRI 103-2	45-46
	Salary gap	Remuneration	GRI 103-2 GRI 405-2	48-49
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	Remuneration	GRI 103-2 GRI 405-2	48-49
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term forecast savings and any other perception broken down by gender	Remuneration	GRI 103-2 GRI 405-2	48-49
	Implementation of employment termination policies	Work environment / Work organization	GRI 103-2	41
	Employees with disabilities	Professional development / Different capabilities	GRI 405-1	34
Work organization	Work schedule organization	Work environment / Work organization	GRI 103-1	41
	Number of hours of absenteeism	Work environment / Health and labor safety	GRI 403-9 (2018 GRI version)	43
	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	Work environment / Diversity and inclusion	GRI 401-2	32-46
Health and safety	Work health and safety conditions	Work environment / Health and labor safety	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018 GRI version)	42-43
	Work accidents, in particular their frequency and severity, disaggregated by gender	Work environment / Health and labor safety	GRI 403-9 GRI 403-10 (2018 GRI version)	42-43
	Occupational diseases, disaggregated by gender	Work environment / Health and labor safety	GRI 403-9 GRI 403-10 (2018 GRI version)	43
Social relationships	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	Work environment / Freedom of association and representation	GRI 103-1	41-42
	Percentage of employees covered by collective agreement by country	Work environment / Freedom of association and representation	GRI 102-40	41-42
	The balance of collective agreements, particularly in the field of health and safety at work	Work environment / Health and labor safety	GRI 403-3	41-42
Training	Policies implemented for training activities	Professional development / Training	GRI 103-2 GRI 404-2	32
	The total amount of training hours by professional category	Professional development / Training	GRI 404-1	32-33
Universal accessibility for people with disabilities	Universal accessibility for people with disabilities	Professional development / Different capabilities	GRI 103-2	34
Equality	Measures taken to promote equal treatment and opportunities between women and men	Professional development / Diversity and inclusion	GRI 103-2	33-34
	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men)	Professional development / Diversity and inclusion	GRI 103-2	33
	Measures adopted to promote employment,	Professional development /	GRI 103-3	33-34

	protocols against sexual and gender-based harassment, integration, and the universal accessibility of people with disabilities	Diversity and inclusion		
	Policy against any type of discrimination and, where appropriate, diversity management	Professional development / Diversity and inclusion	GRI 103-4	33-34
Information about the Respect for human rights				
Human rights	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	Commitment to human rights	GRI 102-16 GRI 102-17 GRI 412-1	57-59
	Claims regarding cases of human rights violations	BBVA has not identified any significant complaints and impacts with respect to human rights in its workplaces.	GRI 103-2 GRI 406-1	
	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	Commitment to human rights	GRI 103-2 GRI 406-1 GRI 407-1 GRI 408-1 GRI 409-1	57-59
Information about anti-bribery and anti-corruption measures				
Corruption and bribery	Measures adopted to prevent corruption and bribery	Compliance system Other non-financial risks	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	50-56:80
	Measures adopted to fight against anti.money laundering	Anti-money laundering and financing of terrorism	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	52-53
	Contributions to fundations and non-profit-making bodies	Contribution to society / Other contributions	GRI 102-13 GRI 201-1	73
Information about the society				
Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	Contribution to society	GRI 103-2 GRI 203-2	71-73
	The impact of company activity on local populations and on the territory	Contribution to society	GRI 413-1 GRI 413-2	71-73
	The relationships maintained with representatives of the local communities and the modalities of dialog with these	Materiality Contribution to society	GRI 102-43 GRI 413-1	19:71-73
	Actions of association or sponsorship	Investment in social programs	GRI 103-2 GRI 201-1	71-73
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	Suppliers	GRI 103-2	77-78
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	Suppliers	GRI 102-9 GRI 308-1	77-78
	Supervision systems and audits, and their results	Suppliers	GRI 102-9 GRI 308-2	77-78
Consumers	Customer health and safety measures	Solutions for customers Commitment to human rights / Social Housing Policy in Spain Customer security and protection	GRI 103-2	22-23:57-59:29-30
	Claims systems, complaints received and their resolution	Customer care / Complaints and claims	GRI 103-2 GRI 418-1	24-27
Tax information	Benefits obtained by country	Fiscal transparency	GRI 201-1	76
	Taxes on paid benefits	Fiscal transparency	GRI 201-1	76
	Public subsidies received	Fiscal transparency	GRI 201-4	76

Group financial information

BBVA Group highlights

BBVA GROUP HIGHLIGHTS (CONSOLIDATED FIGURES)

	IFRS 9			IAS 39
	31-12-19	**Δ %**	**31-12-18**	**31-12-17**
Balance sheet (millions of euros)				
Total assets	698,690	3.3	676,689	690,059
Loans and advances to customers (gross)	394,763	2.2	386,225	400,369
Deposits from customers	384,219	2.2	375,970	376,379
Total customer funds	492,022	3.8	474,120	473,088
Total equity	54,925	3.9	52,874	53,323
Income statement (millions of euros)				
Net interest income	18,202	3.5	17,591	17,758
Gross income	24,542	3.3	23,747	25,270
Operating income	12,639	4.9	12,045	12,770
Net attributable profit	3,512	(35.0)	5,400	3,514
The BBVA share and share performance ratios				
Number of shares (million)	6,668	-	6,668	6,668
Share price (euros)	4.98	7.5	4.64	7.11
Earning per share (euros) (1) (2)	0.66	3.4	0.64	0.63
Book value per share (euros)	7.32	2.8	7.12	6.96
Tangible book value per share (euros)	6.27	7.1	5.86	5.69
Market capitalization (millions of euros)	33,226	7.5	30,909	47,422
Yield (dividend/price; %)	5.2		5.4	4.2
Significant ratios (%)				
ROE (Adjusted net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	9.9		10.2	9.7
ROTE (Adjusted net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	11.9		12.4	12.0
ROA (Adjusted profit or loss for the year/average total assets) (2)	0.82		0.81	0.84
RORWA (Adjusted profit or loss for the year/average risk-weighted assets - RWA) (2)	1.57		1.56	1.57
Efficiency ratio	48.5		49.3	49.5
Cost of risk	1.04		1.01	0.89
NPL ratio	3.8		3.9	4.6
NPL coverage ratio	77		73	65
Capital adequacy ratios (%)				
CET1 fully-loaded	11.74		11.34	11.08
CET1 phased-in (3)	11.98		11.58	11.71
Total ratio phased-in (3)	15.92		15.71	15.51
Other information				
Number of clients (million)	78.1	4.4	74.8	72.8
Number of shareholders	874,148	(3.2)	902,708	891,453
Number of employees	126,973	1.1	125,627	131,856
Number of branches	7,744	(2.8)	7,963	8,271
Number of ATMs	32,658	0.5	32,502	32,327

General note: as a result of the amendment to IAS 12 "Income Taxes", and in order to make the information comparable, the 2018 and 2017 income statements have been restated.

(1) Adjusted by additional Tier 1 instrument remuneration.

(2) Excluding the goodwill impairment in the United States in 2019, BBVA Chile in 2018 and Telefónica impairment in 2017.

(3) Phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of the Capital Requirements Regulation (CRR).

Significant ratios including the goodwill impairment in the United States in 2019, BBVA Chile in 2018 and the Telefónica impairment in 2017 (%)

	31-12-19	**Δ %**	**31-12-18**	**31-12-17**
Earning per share (euros) (1)	0.47	(37.7)	0.75	0.46
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	7.2		11.7	7.4
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	8.6		14.3	9.1
ROA (Profit or loss for the year/average total assets)	0.63		0.92	0.68
RORWA (Profit or loss for the year/average risk-weighted assets - RWA)	1.20		1.76	1.27

(1) Adjusted by additional Tier 1 instrument remuneration.

(2) The ROE and ROTE ratios include, in the denominator, the Group's average shareholders' funds and take into account the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE would stand at 6.3%, in 2019; 10.2%, in 2018; and 6.7%, in 2017; and the ROTE at 7.4%, 12.1% and 8.0%, respectively.

Relevant events

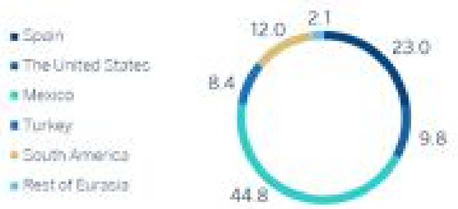
Results

- Generalized increase of **recurring revenue items** (net interest income plus net fees and commissions), which, in constant terms, grow in all business areas.
- Higher contribution from the **NTI,** which compensates the lower contribution of the **other operating income and expenses** line.
- Contained growth in the **operating expenses** and improvement of the efficiency ratio.
- **Impairment on financial assets** increased 4.3% year-on-year, mainly as a result of higher loan-loss provisions in the United States.
- Following the annual evaluation of its goodwills, BBVA has recorded **a goodwill impairment in the United States** of €1,318m, mainly due to the evolution of interest rates in the country and the slowdown in the economy. This impact does not affect the tangible net equity, the capital, or the liquidity of BBVA Group and is included in the Corporate Center in the line of other gains (losses) of the income statement.
- In 2019, the net attributed **profit** stood at €3,512m, 35.0% less than in 2018. If BBVA Chile (the results contributed up to its sale and the capital gains generated by the operation) and the goodwill impairment in the United States are excluded from the year-on-year comparison, the Group's net attributable profit grew by 2.7% compared to 2018.

NET ATTRIBUTABLE PROFIT (1)
(MILLIONS OF EUROS)

(1) Excluding BBVA Chile in 2018 and the goodwill impairment in the United States in 2019.

NET ATTRIBUTABLE PROFIT BREAKDOWN (1)
(PERCENTAGE. 2019)



(1) Excludes the Corporate Center.

Balance sheet and business activity

- The number of **loans and advances to customers** (gross) registered a growth of 2.2% during 2019, with increases in the business areas of Mexico, and to a lesser extent, in the United States, South America and Rest of Eurasia.
- Good performance of **customer funds** (up 3.8% year-on-year) thanks to the evolution of demand deposits, mutual funds and pension funds.

Solvency

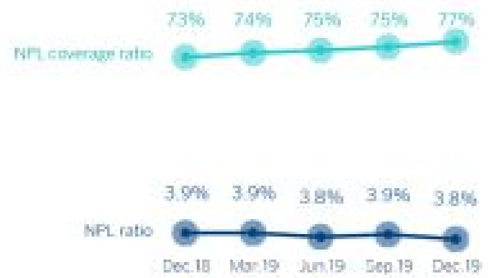
- As a result of the supervisory review and evaluation process (SREP) carried out by the European Central Bank (ECB), BBVA received a communication on December 4, that it is required to maintain, on a consolidated basis and as of January 1, 2020, a CET1 capital ratio of 9.27% and a total capital ratio of 12.77%. On December 31, 2019, the **fully-loaded CET1** ratio stood at 11.74%, up 51 basis points in the year (excluding the impact of IFRS 16 standard's implementation). Thus, BBVA's capital adequacy ratios at the end of 2019 remained above the regulatory requirements applicable as of January 1, 2020.

CAPITAL AND LEVERAGE RATIOS
(PERCENTAGE AS OF 31-12-19)

Risk management

- Positive performance of the **risk metrics**. **Non-performing loans** showed a downward trend similar to previous years. The NPL ratio stood at 3.8%, the NPL coverage ratio at 77% and the cost of risk at 1.04%.

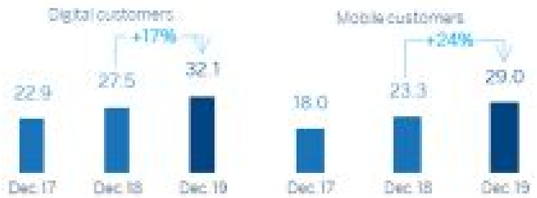
NPL AND NPL COVERAGE RATIOS
(PERCENTAGE)



Transformation

- The Group's **digital and mobile customer** base continues to grow, with more than 50% of customers operating through mobile channels. **Digital sales** also evolved positively in 2019.

DIGITAL AND MOBILE CUSTOMERS (MILLIONS)



Other matters of interest

- During the 2019 financial year, two **restatement**s of consolidated information were made:
  - As a result of the implementation of **IAS 29** "Financial information in hyperinflationary economies," and in order to make the 2019 information comparable to that of 2018, the balance sheets, the income statements and ratios for the Group's first three quarters of the 2018 financial year and the South American business area, were restated to reflect the impacts of hyperinflation in Argentina in the quarter in which they were generated. This impact was recorded for the first time in the third quarter of 2018, but with accounting effects as of January 1, 2018.
  - The amendment to **IAS 12** "Income Tax" has meant that the tax impact of the distribution of generated benefits must be recorded in the "Expense or income for taxes on the profits of the continuing activities" of the consolidated income statement for the year, when previously recorded as "Net equity". So, in order for the information to be comparable, the information for the years shown above has been restated in such a way that a payment of €76m and a charge of €5m have been recorded in the consolidated profit and loss accounts for the years 2018 and 2017, respectively, against "Less: Interim dividends." This reclassification has no impact on the consolidated net assets.
- On August 7, 2019, BBVA reached an agreement with Banco GNB Paraguay S.A., for the sale of its stake in Banco Bilbao Vizcaya Argentaria Paraguay, S.A. (hereinafter **BBVA Paraguay**), which amounts to 100% of its share capital. As a result of the above, all items in BBVA Paraguay's balance sheet have been reclassified into the category of "Non-current assets (liabilities) and disposal groups held for sale"(hereinafter NCA&L).
- On January 1, 2019, **IFRS 16** "Leases" entered into force, which requires the lessee to recognize the assets and liabilities arising from the rights and obligations of lease agreements. The main impacts are the recognition of an asset through the right of use and a liability based on future payment obligations. The impact of the first implementation was €3,419m and €3,472m, respectively, resulting in a decrease of 11 basis points of the CET1 capital ratio.

Results

The BBVA Group generated a net attributable **profit** of €3,512m in 2019. The good performance of the most recurrent revenue (net interest income plus net commissions and fees) and the net trading income (NTI), were offset by a greater adjustment for hyperinflation in Argentina, reflected in the line of other operating income and expenses, a greater amount of impairment on financial assets, greater provisions and, in particular, the goodwill impairment in the United States in December 2019 for an amount of €1,318m, reflected in the line of other gains (losses). The comparison with the previous year (down 35.0%) is influenced, on the one hand, by the above-mentioned goodwill impairment in the United States and on the other, by the positive impact generated by the capital gains (net of taxes) from the sale of BBVA Chile in 2018. In a more homogeneous comparison, without taking into account these two impacts and excluding the profit generated by BBVA Chile until its sale, the net attributable profit from 2019 was 2.7% higher than the previous year (up 2.0% at constant exchange rates).

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2019				2018			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,727**	**4,488**	**4,566**	**4,420**	**4,692**	**4,309**	**4,302**	**4,287**
Net fees and commissions	1,290	1,273	1,256	1,214	1,226	1,173	1,244	1,236
Net trading income	490	351	116	426	316	212	285	410
Other operating income and expenses	(89)	22	(18)	8	(83)	38	6	92
Gross income	**6,418**	**6,135**	**5,920**	**6,069**	**6,151**	**5,733**	**5,838**	**6,026**
Operating expenses	(3,082)	(2,946)	(2,952)	(2,922)	(2,981)	(2,825)	(2,921)	(2,975)
Personnel expenses	(1,637)	(1,572)	(1,578)	(1,553)	(1,557)	(1,459)	(1,539)	(1,565)
Other administrative expenses	(1,039)	(971)	(976)	(977)	(1,119)	(1,062)	(1,087)	(1,106)
Depreciation	(406)	(403)	(398)	(392)	(305)	(304)	(295)	(304)
Operating income	**3,335**	**3,189**	**2,968**	**3,147**	**3,170**	**2,908**	**2,917**	**3,050**
Impairment on financial assets not measured at fair value through profit or loss	(1,187)	(1,187)	(753)	(1,023)	(1,353)	(1,023)	(783)	(823)
Provisions or reversal of provisions	(243)	(113)	(117)	(144)	(66)	(123)	(85)	(99)
Other gains (losses)	(1,444)	(4)	(3)	(22)	(183)	831	67	41
Profit/(loss) before tax	**460**	**1,886**	**2,095**	**1,957**	**1,568**	**2,593**	**2,116**	**2,170**
Income tax	(430)	(488)	(595)	(541)	(411)	(624)	(585)	(599)
Profit/(loss) for the year	**31**	**1,398**	**1,500**	**1,416**	**1,157**	**1,969**	**1,531**	**1,570**
Non-controlling interests	(186)	(173)	(241)	(234)	(145)	(154)	(265)	(262)
Net attributable profit	**(155)**	**1,225**	**1,260**	**1,182**	**1,012**	**1,815**	**1,266**	**1,308**
Earning per share (euros) [1]	**(0.04)**	**0.17**	**0.17**	**0.16**	**0.14**	**0.26**	**0.17**	**0.18**
Of which:								
Goodwill impairment in the United States	**(1,318)**							
BBVA Chile [2]						**633**	**35**	**29**
Net attributable profit excluding the goodwill impairment in the United States and BBVA Chile	**1,163**	**1,225**	**1,260**	**1,182**	**1,012**	**1,182**	**1,231**	**1,279**
Earning per share excluding the goodwil impairment in the United States and BBVA Chile (euros) [1]	**0.16**	**0.17**	**0.17**	**0.16**	**0.14**	**0.16**	**0.17**	**0.17**

General note: the application of accounting for hyperinflation in Argentina was done for the first time in September 2018 with accounting effects from January 1, 2018, recording the impact of the 9 months in the third quarter. In addition, during 2019 an amendment to IAS 12 "Income Taxes" was introduced with accounting effects from January 1, 2019. Therefore, in order to make the information comparable, the quarterly income statements for 2019 and 2018 have been restated.

[1] Adjusted by additional Tier 1 instrument remuneration.

[2] Earnings generated by BBVA Chile until its sale on July 6, 2018 and the capital gains from the operation.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	2019	Δ %	Δ % at constant exchange rates	2018
Net interest income	**18,202**	**3.5**	**4.3**	**17,591**
Net fees and commissions	5,033	3.2	3.6	4,879
Net trading income	1,383	13.1	15.4	1,223
Other operating income and expenses	(77)	n.s.	n.s.	54
Gross income	**24,542**	**3.3**	**4.2**	**23,747**
Operating expenses	(11,902)	1.7	2.2	(11,702)
Personnel expenses	(6,340)	3.6	4.2	(6,120)
Other administrative expenses	(3,963)	(9.4)	(8.9)	(4,374)
Depreciation	(1,599)	32.4	32.1	(1,208)
Operating income	**12,639**	**4.9**	**6.1**	**12,045**
Impairment on financial assets not measured at fair value through profit or loss	(4,151)	4.3	6.0	(3,981)
Provisions or reversal of provisions	(617)	65.3	66.7	(373)
Other gains (losses)	(1,473)	n.s.	n.s.	755
Profit/(loss) before tax	**6,398**	**(24.2)**	**(23.8)**	**8,446**
Income tax [1]	(2,053)	(7.5)	(7.4)	(2,219)
Profit/(loss) for the year [1]	**4,345**	**(30.2)**	**(29.7)**	**6,227**
Non-controlling interests	(833)	0.8	11.6	(827)
Net attributable profit [1]	**3,512**	**(35.0)**	**(35.3)**	**5,400**
Earning per share (euros) [2]	**0.47**			**0.75**
Of which:				
Goodwill impairment in the United States	**(1,318)**			
BBVA Chile [3]				**697**
Net attributable profit excluding the goodwill impairment in the United States and BBVA Chile	**4,830**	**2.7**	**2.0**	**4,703**
Earning per share excluding the goodwill impairment in the United States and BBVA Chile (euros) [2]	**0.66**			**0.64**

[1] As a result of the amendment to IAS 12 "Income Taxes", and in order to make the information comparable, the 2018 income statement has been restated.
[2] Adjusted by additional Tier 1 instrument remuneration.
[3] Earnings generated by BBVA Chile until its sale on July 6, 2018 and the capital gains from the operation.

Unless expressly stated otherwise, for a better understanding of the evolution of the main items in the Group's income statement, the variation rates shown below are reported at **constant exchange rates** and the quarterly changes are from the last quarter of the year with respect to the previous quarter.

Gross income

Gross income showed a year-on-year growth of 4.2%, supported by the favorable performance of the net interest income and the NTI and, to a lesser extent, the growth in net fees and commissions.

GROSS INCOME (MILLIONS OF EUROS)

(1) At constant exchange rates: +4.2%.

Net interest income grew by 4.3% year-on-year and 4.4% compared to the previous quarter. By business areas, Mexico and South America had notable year-on-year performance.

Net fees and commissions also recorded a positive performance showing a year-on-year growth of 3.6%, thanks to the favorable contribution from all the business areas, in particular Turkey and Spain. In the fourth quarter, they grew by 0.7%.

As a result, the **most recurrent revenue items** increased by a 4.1% year-on-year (up 3.6% in the quarter).

NET INTEREST INCOME/ATAS (PERCENTAGE)

NET INTEREST INCOME PLUS NET FEES AND COMMISSIONS (MILLIONS OF EUROS)

(1) At constant exchange rates: +4.1%.

NTI closed with an increase of 15.4% year-on-year and registered an excellent evolution in the last quarter of the year (up 31.8%) mainly explained by the results generated by Spain and Turkey.

The line of **other operating income and expenses** closed the year with a negative balance of €77m compared to the positive balance of €54m recorded in 2018, mainly due to the higher adjustment for hyperinflation in Argentina, as well as a greater contribution to the SRF (Single Resolution Fund) and the FGD (Deposit Guarantee Fund).

Operating income

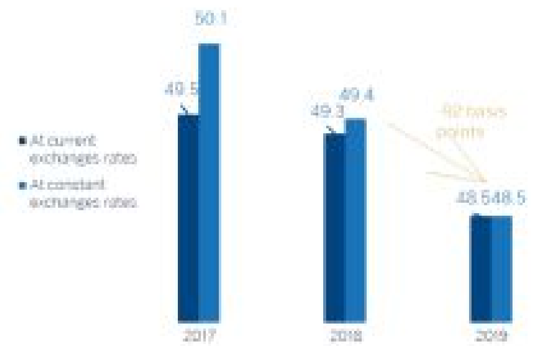
Operating expenses increased 2.2% in 2019 (up 1.7% at current exchange rates) showing a lower growth compared to inflation in most of the countries where BBVA is present. Spain continued to show notable reduction in costs, resulting from the cost control plans.

OPERATING EXPENSES (MILLIONS OF EUROS)

(1) At constant exchange rates: +2.2%.

The **efficiency** ratio continued to improve as a result of operating expenses growing below gross income, which stood at 48.5% at the end of the year, significantly below the level reached in 2018 (down 92 basis points at constant exchange rates). As a result of the aforementioned, the operating income registered a year-on-year growth of 6.1%.

EFFICIENCY RATIO (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS)

(1) At constant exchange rates: +6.1%.

Provisions and other

The impairment on financial assets not measured at fair value through profit or loss (**impairment on financial assets**) showed an increase of 6.0% in 2019. By business areas, it was notable the higher loan-loss provisions in the United States for specific clients of the commercial portfolio and the larger write-offs in the consumer portfolio in South America, (for Argentina and Peru), and to a lesser extent in Mexico, explained by the growth on this portfolio and the impact of the macro scenario deterioration. On the contrary, Spain recorded a 43.6% year-on-year reduction for lower provision requirements mainly due to the positive effect of non-performing and write-off portfolios sales in 2019.

IMPAIRMENT ON FINANCIAL ASSETS (MILLIONS OF EUROS)

(1) At constant exchange rates: +6.0%.

Provisions or reversal of provisions (hereinafter, provisions) was 66.7% above the 2018 figure, mainly due to greater endowments in Turkey and Argentina. Other gains (losses) mainly reflects the already mentioned goodwill impairment in the United States closing with a loss of €1,473m, compared with the profit of €755m in 2018, which mainly includes the capital gains from the sale of BBVA Chile.

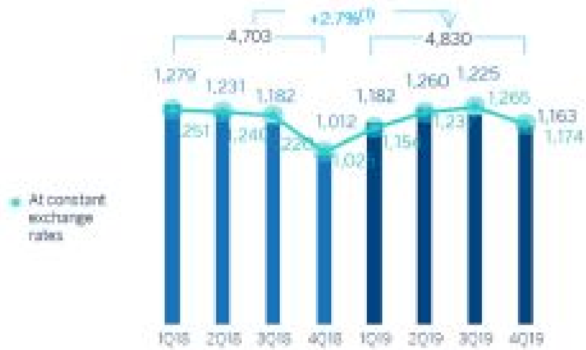
Results

As a result of the above, the Group's **net attributable profit** in 2019 was €3,512m, 35.3% lower than the profit obtained the previous year (down 35.0% at current exchange rates). The comparison with respect to 2018 is influenced by the goodwill impairment in the United States and by the positive impact generated by the capital gains from the sale of BBVA Chile. In a more homogeneous comparison, without taking into account these two impacts and excluding the profit generated by the sale of BBVA Chile the net attributable profit from 2019 was 2.7% higher than the previous year (up 2.0% at constant exchange rates).

NET ATTRIBUTABLE PROFIT (MILLIONS OF EUROS)

(1) At constant exchange rates: -35.3%.

NET ATTRIBUTABLE PROFIT EXCLUDING BBVA CHILE AND THE UNITED STATES GOODWILL IMPAIRMENT (MILLIONS OF EUROS)



(1) At constant exchange rates: +2.0%.

By **business areas**, and in millions of euros, Spain generated 1,386, the United States 590, Mexico recorded 2,699 in profit, Turkey 506, South America 721 and the Rest of Eurasia 127.

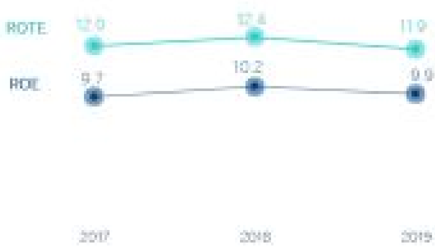
TANGIBLE BOOK VALUE PER SHARE AND DIVIDENDS (1) (EUROS)

(1) Replenishing dividends paid in the period.

EARNING PER SHARE (1) (EUROS)

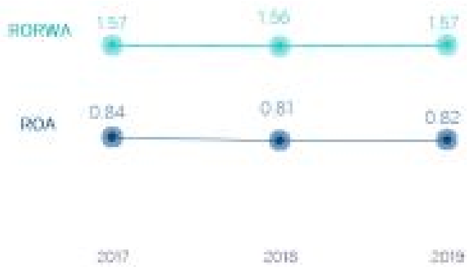
(1) Adjusted by additional Tier 1 instrument remuneration.
(2) Excluding the goodwill impairment in the United States in 2019.

ROE AND ROTE (1) (PERCENTAGE)



(1) Ratios excluding the impairment of Telefónica in 2017, BBVA Chile in 2018 and the goodwill impairment in the United States in 2019.

ROA AND RORWA (1) (PERCENTAGE)



(1) Ratios excluding the impairment of Telefónica in 2017, BBVA Chile in 2018 and the goodwill impairment in the United States in 2019.

Balance sheet and business activity

The most relevant **aspects** of the Group's balance sheet and business activity as of December 31, 2019 are summarized below:

- **Loans and advances to customers** (gross) increased by 2.2% during 2019, with increases in the business areas of Mexico, and, to a lesser extent, the United States, South America and Rest of Eurasia.
- **Non-performing loans** continued in a downward trend falling by 2.1% during the year, mainly due to the sales of the non-performing-loan portfolios in Spain.
- Customer **deposits** had a good performance along the year, with an increase of 2.2% compared to December 2018 (up 1.3% in the last quarter), mainly explained by the good evolution of demand deposits (up 7.6% year-on-year, up 2.8% in the last quarter).
- **Off-balance sheet funds** had an increase of 9.8% compared to December 31, 2018, thanks to the good performance of both mutual funds and pension funds.
- Regarding to **tangible assets**, the balance as of December 31, 2019 was affected by the implementation of IFRS 16 "Leases," which led to a growth resulting from its first implementation of €3,419m.
- Regarding the **intangible assets**, during the fourth quarter of 2019, the United States goodwill has been impaired by €1,318m, which does not affect the tangible net equity nor liquidity of BBVA Group.
- The figure for **other assets/other liabilities** at the end of December 2019 includes the assets and liabilities of BBVA Paraguay, which have been classified as non-current assets and liabilities held for sale (hereinafter NCA&L) in the consolidated public balance sheet, once the BBVA Group made public through a relevant event to the Spanish Securities Market Commission (hereinafter CNMV for its acronym in Spanish) the sales agreement, aforementioned in the relevant events section.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

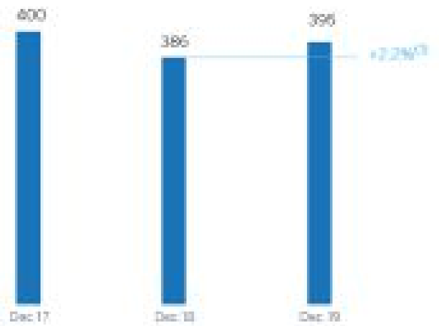
	31-12-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	44,303	(23.9)	58,196
Financial assets held for trading	102,688	14.0	90,117
Non-trading financial assets mandatorily at fair value through profit or loss	5,557	8.2	5,135
Financial assets designated at fair value through profit or loss	1,214	(7.6)	1,313
Financial assets at fair value through accumulated other comprehensive income	61,183	8.6	56,337
Financial assets at amortized cost	439,162	4.6	419,660
Loans and advances to central banks and credit institutions	17,924	36.8	13,103
Loans and advances to customers	382,360	2.2	374,027
Debt securities	38,877	19.5	32,530
Investments in subsidiaries, joint ventures and associates	1,488	(5.7)	1,578
Tangible assets	10,068	39.3	7,229
Intangible assets	6,966	(16.2)	8,314
Other assets	26,060	(9.5)	28,809
Total assets	**698,690**	**3.3**	**676,689**
Financial liabilities held for trading	89,633	11.0	80,774
Other financial liabilities designated at fair value through profit or loss	10,010	43.1	6,993
Financial liabilities at amortized cost	516,641	1.5	509,185
Deposits from central banks and credit institutions	54,700	(7.7)	59,259
Deposits from customers	384,219	2.2	375,970
Debt certificates	63,963	4.7	61,112
Other financial liabilities	13,758	7.1	12,844
Liabilities under insurance and reinsurance contracts	10,606	7.9	9,834
Other liabilities	16,875	(0.9)	17,029
Total liabilities	**643,765**	**3.2**	**623,814**
Non-controlling interests	6,201	7.6	5,764
Accumulated other comprehensive income	(7,235)	0.3	(7,215)
Shareholders' funds	55,958	3.0	54,326
Total equity	**54,925**	**3.9**	**52,874**
Total liabilities and equity	**698,690**	**3.3**	**676,689**
Memorandum item:			
Guarantees given	45,952	(3.6)	47,574

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

	31-12-19	Δ %	31-12-18
Public sector	**28,193**	**(1.1)**	**28,504**
Individuals	**174,608**	**2.4**	**170,501**
Mortgages	110,500	(0.9)	111,528
Consumer	36,438	4.3	34,939
Credit cards	14,892	10.3	13,507
Other loans	12,778	21.4	10,527
Business	**176,008**	**3.0**	**170,872**
Non-performing loans	**15,954**	**(2.4)**	**16,348**
Loans and advances to customers (gross)	**394,763**	**2.2**	**386,225**
Allowances (1)	(12,402)	1.7	(12,199)
Loans and advances to customers	**382,360**	**2.2**	**374,027**

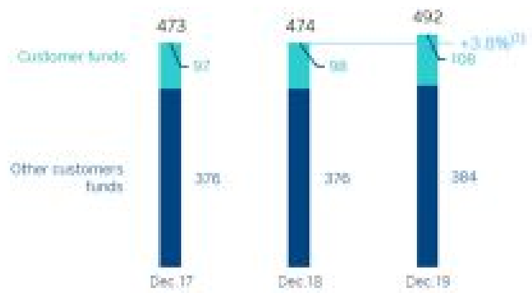
(1) Allowances include the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A., see Note 7 of the consolidated Financial Statements). As of December 31, 2019 and 2018 the remaining amount was €433m and €540m, respectively.

LOANS AND ADVANCES TO CUSTOMERS (GROSS. BILLIONS OF EUROS)



(1) At constant exchange rates: +2.5%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



(1) At constant exchange rates: +3.8%.

CUSTOMER FUNDS (MILLIONS OF EUROS)

	31-12-19	Δ %	31-12-18
Deposits from customers	**384,219**	**2.2**	**375,970**
Current accounts	280,391	7.6	260,573
Time deposits	96,583	(10.8)	108,313
Other deposits	7,246	2.3	7,084
Other customer funds	**107,803**	**9.8**	**98,150**
Mutual funds and investment companies	68,639	11.8	61,393
Pension funds	36,630	8.3	33,807
Other off-balance sheet funds	2,534	(14.1)	2,949
Total customer funds	**492,022**	**3.8**	**474,120**

Solvency

Capital base

BBVA's **fully loaded CET1** ratio stood at 11.74% at the end of 2019 which, excluding the impact of IFRS 16 standard's implementation that entered into force on January 1, 2019 (down 11 basis points), the ratio increased by 51 basis points during the year. This increase is supported by the profit generation, net of dividend payments and remuneration of contingent convertible capital instruments (CoCos), notwithstanding the moderate growth of risk-weighted assets. In addition, the goodwill impairment in the United States recognized by the Group amounting to €1,318m has no impact on the regulatory capital.

Risk-weighted assets (RWA) increased by approximately €16,100m in 2019 as a result of activity growth, mainly in emerging markets and the incorporation of regulatory impacts (the application of IFRS 16 standard and TRIM - Targeted Review of Internal Models) for approximately €7,600m (impact on the CET1 ratio of -25 basis points). It should be noted that during the second quarter of the year the recognition by the European Commission[2] of Argentina as a country whose supervisory and regulatory requirements are considered equivalent had a positive effect on the evolution of the RWAs.

The fully loaded additional tier 1 ratio (AT1) stood at 1.62% as of December 31, 2019. In this regard, BBVA S.A. carried out an issue of €1,000m CoCos, registered at the Spanish Securities Market Commission (CNMV) with an annual coupon of 6.0% and a redemption option from the fifth year, and another issue of the same type of instruments, registered in the Securities Exchange Commission (hereinafter, SEC) for USD 1,000m and a coupon of 6.5% with a redemption option after five and a half years.

On the other hand, in February 2020 the CoCos issuance of €1,500m with 6.75% coupon issued in February 2015 will be amortised. As of December 31, 2019, it is no longer included in the capital ratios.

Finally, in terms of **issues eligible as Tier 2 capital**, BBVA S.A. issued a € 750m subordinated debt over 10-year period and a redemption option in the fifth year, coupon of 2.575%; and carried out the early redemption of two subordinated-debt issues: one for €1,500m with a 3.5% coupon issued in April 2014 and redeemed in April 2019, and another issued in June 2009 by Caixa d'Estalvis de Sabadell with an outstanding nominal amount of €4.9m and redeemed in June 2019.

With regard to the subsidiaries of the Group, BBVA Mexico carried out a Tier 2 issuance of USD 750m over a 15-year period with an early redemption option from the tenth year and a 5.875% coupon; and partially repurchased two subordinated debt issuances (USD 250m due in 2020 and USD 500m due in 2021). Meanwhile, Garanti Bank issued another Tier 2 issuance of TRY 253m.

All of this, together with the evolution of the remaining elements eligible as Tier 2 capital, set the **Tier 2 fully loaded** ratio at 2.06% as of December 31, 2019.

In addition, in January 2020, BBVA, S.A. issued €1,000m of Tier 2 eligible subordinated debt over a ten-year period, with an early redemption option in the fifth year, with a coupon of 1%. This issue will be included in the capital ratios for the first quarter of 2020 with an estimated impact of approximately +27 basis points on the T2 capital ratio.

The **phased-in CET1** ratio stood at 11.98% at the end of 2019, taking into account the transitional implementation of IFRS 9. The **AT1** stood at 1.66% and the **Tier 2** at 2.28%, resulting in a **total capital ratio** of 15.92%. These levels are above the requirements established by the supervisor in its SREP (Supervisory Review and Evaluation Process) letter, applicable in 2019. Starting on January 1st, 2020, at the consolidated level, this requirement has been established at 9.27% for the CET1 ratio and 12.77% for the total capital ratio. It should be noted that the Pillar 2 requirement of CET1 remains unchanged from the one included in the previous SREP decision, being the sole difference of the capital requirement, the evolution of the Countercyclical Capital buffer of approximately 0.01%. Furthermore, as of December 31, 2019, the Group's capital ratios remain above the regulatory requirements applicable as of January 1, 2020.

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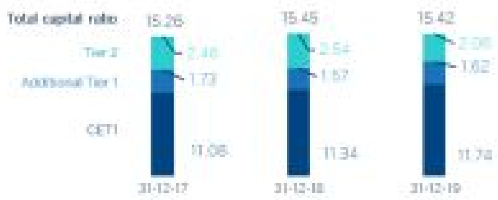
[2] On April 1, 2019, the Official Journal of the European Union published Commission Implementing Decision (EU) 2019/536, which includes Argentina within the list of third countries and territories whose supervisory and regulatory requirements are considered equivalent for the purposes of the treatment of exposures in accordance with Regulation (EU) No. 575/2013.

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			CRD IV fully-loaded		
	31-12-19 (1) (2)	30-09-19	31-12-18	31-12-19 (1) (2)	30-09-19	31-12-18
Common Equity Tier 1 (CET 1)	43,653	43,432	40,313	42,856	42,635	39,571
Tier 1	49,701	51,035	45,947	48,775	50,112	45,047
Tier 2	8,324	8,696	8,756	7,505	7,798	8,861
Total Capital (Tier 1 + Tier 2)	**58,025**	**59,731**	**54,703**	**56,281**	**57,910**	**53,907**
Risk-weighted assets	**364,448**	**368,196**	**348,264**	**364,943**	**368,690**	**348,804**
CET1 (%)	11.98	11.80	11.58	11.74	11.56	11.34
Tier 1 (%)	13.64	13.86	13.19	13.37	13.59	12.91
Tier 2 (%)	2.28	2.36	2.51	2.06	2.12	2.54
Total capital ratio (%)	**15.92**	**16.22**	**15.71**	**15.42**	**15.71**	**15.45**

(1) As of December 31, 2019, the difference between the phased-in and fully-loaded ratios arises from the temporary traetment of certain capital items, mainly of the impact of IFRS9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR).
(2) Provisional data.

In November 2019, BBVA received a new communication from the Bank of Spain regarding its minimum requirement for own funds and eligible liabilities (**MREL**), as determined by the Single Resolution Board, that was calculated taking into account the financial and supervisory information as of December 31, 2017.

In accordance with such communication, BBVA has to reach, by January 1, 2021, an amount of own funds and eligible liabilities equal to 15.16% of the total liabilities and own funds of its resolution group, on sub-consolidated basis (the MREL requirement). Within this MREL, an amount equal to 8.01% of the total liabilities and own funds shall be met with subordinated instruments (the subordination requirement), once the relevant allowance is applied.

This MREL requirement is equal to 28.50% in terms of risk-weighted assets (RWA), while the subordination requirement included in the MREL requirement is equal to 15.05% in terms of RWA, once the relevant allowance has been applied.

In order to comply with this requirement, BBVA has continued its issuance program during 2019 by closing three public senior non-preferred debt, for a total of €3,000m, of which one in green bonds by €1,000m. In addition, BBVA issued a senior preferred debt of €1,000m.

The Group estimates that the current own funds and eligible liabilities structure of the resolution group meets the MREL requirement, as well as with the new subordination requirement.

Finally, the Group's **leverage** ratio maintained a solid position, at 6.7% fully loaded (6.9% phased-in), which remains the highest among its peer group.

Ratings

In 2019, Moody's, S&P, DBRS and Scope confirmed the rating they assigned to BBVA's senior preferred debt (A3, A-, A (high) and A+, respectively). Fitch increased this rating by a notch in July 2019, considering that BBVA's loss-absorbing debt buffers (such as senior non-preferred debt) are sufficient to materially reduce the risk of default. In these actions, the agencies highlighted the Group's diversification and self-sufficient franchise model, with subsidiaries responsible for managing their own liquidity. These ratings, together with their outlooks, are shown in the following table:

RATINGS

Rating agency	Long term (1)	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A	F-1	Negative
Moody's	A3	P-2	Stable
Scope Ratings	A+	S-1+	Stable
Standard & Poor's	A-	A-2	Negative

(1) Ratings assigned to long term senior preferred debt. Additionally, Moody's and Fitch assign A2 and A rating respectively, to BBVA's long term deposits.

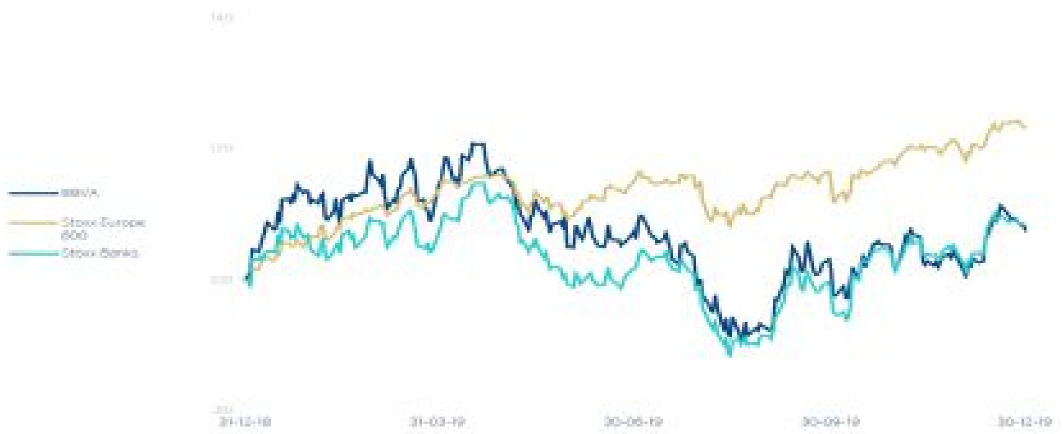
The BBVA share

The main **stock market** indexes performed positively during 2019. In Europe, the Stoxx Europe 600 index increased by 23.2% in year-on-year terms, with a 5.8% increase in the fourth quarter. In Spain, the rise of the Ibex 35 during 2019 was more moderate (up 11.8% in 2019 and up 3.3% in the fourth quarter). In the United States, the growth rates remain as observed throughout the year and the S&P 500 rose 28.9% in 2019.

With regard to the **banking sector indexes**, particularly in Europe, its performance was worse than the general market indexes despite the good performance in the fourth quarter. The Stoxx Europe 600 Banks index, which includes banks in the United Kingdom, and thebanks index for the Eurozone, the Euro Stoxx Banks, revalued by 8.6% and 11.1%, respectively in 2019. In the United States, the S&P Regional Banks Select Industry Index, on the other hand, increased 24.2% compared to the close of the 2018 financial year.

For its part, the **BBVA share** price increased by 7.5% during the year, up 4.2% in the fourth quarter, and closing December 2019 at €4.98.

BBVA SHARE EVOLUTION COMPARED WITH EUROPEAN INDICES (BASE INDICE 100=31-12-18)



THE BBVA SHARE AND SHARE PERFORMANCE RATIOS

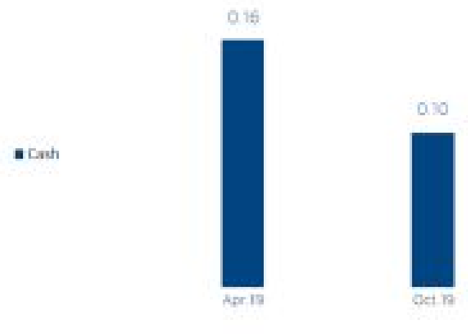
	31-12-19	31-12-18
Number of shareholders	874,148	902,708
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	30,705,133	35,909,997
Daily average trading (millions of euros)	153	213
Maximum price (euros)	5.68	7.73
Minimum price (euros)	4.19	4.48
Closing price (euros)	4.98	4.64
Book value per share (euros)	7.32	7.12
Tangible book value per share (euros)	6.27	5.86
Market capitalization (millions of euros)	33,226	30,909
Yield (dividend/price; %) (1)	5.2	5.4

(1) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

Information about common stock and transactions with treasury stock is detailed in Notes 26 and 29 of the accompanying consolidated Financial Statements.

Regarding **shareholder remuneration**, on October 15 BBVA paid a cash interim dividend of €0.10 (gross) per share on account of the 2019 dividend. A cash payment in a gross amount of €0.16 per share, to be paid in April 2020 as final dividend for 2019, is expected to be proposed for the consideration of the competent governing bodies. Therefore, total shareholder remuneration in 2019 stands at €0.26 (gross) per share. This payment is consistent with the shareholder remuneration policy announced by Relevant Event of February 1, 2017.

SHAREHOLDER REMUNERATION
(EUROS PER SHARE)



As of December 31, 2019, the number of BBVA **shares** remained at 6.668 billion, held by 874,148 **shareholders**, of which 43.40% are Spanish residents and the remaining 56.60% are non-residents.

SHAREHOLDER STRUCTURE (31-12-2019)

	Shareholders		Shares	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 150	172,992	19.8	12,164,060	0.2
151 to 450	174,299	19.9	47,783,471	0.7
451 to 1800	274,137	31.4	268,797,845	4.0
1,801 to 4,500	133,283	15.2	379,651,861	5.7
4,501 to 9,000	61,967	7.1	390,206,201	5.9
9,001 to 45,000	51,300	5.9	888,557,789	13.3
More than 45,001	6,170	0.7	4,680,725,353	70.2
Total	**874,148**	**100.0**	**6,667,886,580**	**100.0**

BBVA **shares** are included on the main stock market indexes, including the Ibex 35, and the Stoxx Europe 600 index, with a weighting of 6.7% and 0.4%, respectively at the closing of December of 2019. They are also included on several sector indexes, including Stoxx Europe 600 Banks, which includes the United Kingdom, with a weighting of 3.8% and the Euro Stoxx Banks index for the eurozone with a weighting of 7.9%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indexes** or Environmental, Social and Governance (ESG) indexes, which evaluates companies' performance in these areas. In September, BBVA continued to be included in the Dow Jones Sustainability Index (DJSI), the markets leading benchmark index, which measures the economic, environmental and social performance of the most valuables companies by market capitalization of the world (in the DJSI World and DJSI Europe), achieving the highest score in financial inclusion and occupational health and safety and the highest score in climate strategy, environmental reporting and corporate citizenship and philanthropy.

MAIN SUSTAINABILITY INDICES ON WHICH BBVA IS LISTED AS OF 31-12-19

Listed on the DJSI World and DJSI Europe indices

Listed on the MSCI[1] ESG Leaders Indexes
AAA Rating

Listed on the FTSE4Good Global Index Series

Listed on the Euronext Vigeo Eurozone 120 and Europe 120 indices

Listed on the Ethibel Sustainability Excellence Europe and Eithebel Sustainability Excellence Global indices

Listed on the Bloomberg Gender-Equality Index

In 2019, BBVA obtained a "A-" rating

(1) The inclusion of BBVA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of BBVA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, for each one of them, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios.

In 2019, BBVA Group’s business areas **reporting structure** of the BBVA Group's business areas differs from the one presented at the end of 2018, as a result of the integration of the Non-Core Real Estate business area into Banking Activity in Spain, now reported as “Spain”. In order to make the 2019 information comparable to 2018, the figures for this area have been re-expressed.

BBVA Group's business areas are summarized below:

- **Spain** mainly includes the banking and insurance businesses that the Group carries out in this country.
- **The United States** includes the financial business activity that BBVA carries out in the country and the activity of the BBVA, S.A branch in New York.
- **Mexico** includes banking and insurance businesses in this country as well as the activity that BBVA Mexico carries out through its branch in Houston.
- **Turkey** reports the activity of BBVA Garanti group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- **South America** basically includes banking and insurance businesses in the region. With respect to the agreement reached with Banco GNB Paraguay, S.A., for the sale of BBVA Paraguay, it is estimated that the closing will take place during the first quarter of 2020, once all the required authorizations are obtained.
- **Rest of Eurasia** includes the banking business activity carried out in Asia and in Europe, excluding Spain.

The **Corporate Center** contains the centralized functions of the Group, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

The **information by business area** is based on units at the lowest level and/or companies that comprise the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity.

As usual, in the case of the different business areas in America and in Turkey, the results of applying constant **exchange rates** are given as well as the year-on-year variations at current exchange rates.

MAJOR INCOME STATEMENT ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas							
	BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center
2019									
Net interest income	18,202	3,645	2,395	6,209	2,814	3,196	175	18,435	(233)
Gross income	24,542	5,734	3,223	8,029	3,590	3,850	454	24,880	(339)
Operating income	12,639	2,480	1,257	5,384	2,375	2,276	161	13,933	(1,294)
Profit/(loss) before tax	6,398	1,878	705	3,691	1,341	1,396	163	9,173	(2,775)
Net attributable profit	3,512	1,386	590	2,699	506	721	127	6,029	(2,517)
2018 (1)									
Net interest income	17,591	3,698	2,276	5,568	3,135	3,009	175	17,860	(269)
Gross income	23,747	5,968	2,989	7,193	3,901	3,701	414	24,167	(420)
Operating income	12,045	2,634	1,129	4,800	2,654	1,992	127	13,336	(1,291)
Profit/(loss) before tax	8,446	1,840	920	3,269	1,444	1,288	148	8,910	(463)
Net attributable profit (2)	5,400	1,400	736	2,367	567	578	96	5,743	(343)

(1) The income statements for 2018 were reexpressed due to changes in the reallocation of some expenses related to global projects and activities between the Corporate Center and the business areas incorporated in 2019.

(2) As a result of the amendment to IAS 12 "Income Taxes", and in order to make the information comparable, the 2018 income statement has been restated.

GROSS INCOME(1), OPERATING INCOME(1) AND NET ATTRIBUTABLE PROFIT(1) BREAKDOWN (PERCENTAGE. 2019)

(1) Excludes the Corporate Center.

MAJOR BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

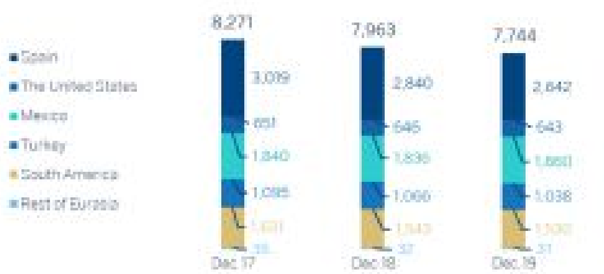
	BBVA Group	Business areas							Corporate Center	Deletions	NCA&L [1]
		Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Σ Business areas			
31-12-19											
Loans and advances to customers	382,360	167,341	63,162	58,081	40,500	35,701	19,660	384,445	813	(1,692)	(1,205)
Deposits from customers	384,219	182,370	67,525	55,934	41,335	36,104	4,708	387,976	308	(2,598)	(1,467)
Off-balance sheet funds	107,803	66,068	-	24,464	3,906	12,864	500	107,803	-	-	-
Total assets/liabilities and equity	698,690	365,374	88,529	109,079	64,416	54,996	23,248	705,641	6,787	(12,018)	(1,721)
Risk-weighted assets	364,448	104,925	65,170	59,299	56,642	45,674	17,975	349,684	14,765	-	-
31-12-18											
Loans and advances to customers	374,027	170,438	60,808	51,101	41,478	34,469	16,598	374,893	990	(1,857)	-
Deposits from customers	375,970	183,414	63,891	50,530	39,905	35,842	4,876	378,456	36	(2,523)	-
Off-balance sheet funds	98,150	62,559	-	20,647	2,894	11,662	388	98,150	-	-	-
Total assets/liabilities and equity	676,689	354,901	82,057	97,432	66,250	54,373	18,834	673,848	16,281	(13,440)	-
Risk-weighted assets	348,264	104,113	64,175	53,177	56,486	42,724	15,476	336,151	12,113	-	-

[1] Non-current assets and liabilities held for sale (NCA&L) from the BBVA Paraguay.

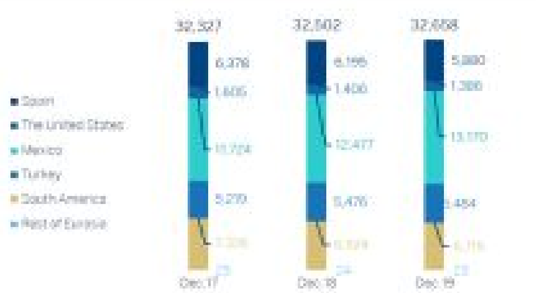
Since 2019, a column has been included in the balance sheet, which includes the **deletions** and balance adjustments between different business areas, especially in terms of the relationship between the areas in which the parent company operates, i.e. Spain, Rest of Eurasia and Corporate Center. In previous years, these deletions were allocated to the different areas, mainly in Banking Activity in Spain. Accordingly, the figures from the previous year have been re-expressed to show comparable series.

NUMBER OF EMPLOYEES

NUMBER OF BRANCHES



NUMBER OF ATMS



Spain

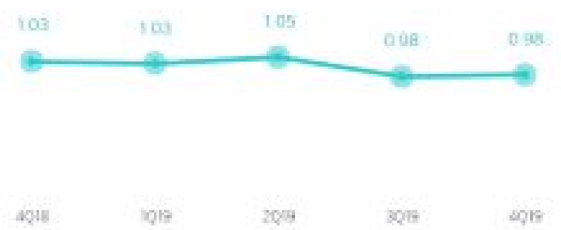
Highlights

- **Growth in consumer, retail and commercial portfolios.**
- **Net Interest income influenced by the impact of IFRS 16.**
- **Continued decrease in operating expenses.**
- **Positive impact of the sale of non-performing and write-off portfolios on loan loss provisions and risk indicators.**

BUSINESS ACTIVITY[(1)]
(YEAR-ON-YEAR CHANGE. DATA AS OF 31-12-19)

(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE)



OPERATING INCOME
(MILLIONS OF EUROS)

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS)

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2019	Δ %	2018
Net interest income	**3,645**	**(1.4)**	**3,698**
Net fees and commissions	1,751	4.1	1,682
Net trading income	239	(54.9)	529
Other operating income and expenses	98	65.2	59
Of which: Insurance activities [1]	518	6.7	485
Gross income	**5,734**	**(3.9)**	**5,968**
Operating expenses	(3,253)	(2.4)	(3,335)
Personnel expenses	(1,883)	0.1	(1,880)
Other administrative expenses	(895)	(22.0)	(1,147)
Depreciation	(476)	54.8	(308)
Operating income	**2,480**	**(5.8)**	**2,634**
Impairment on financial assets not measured at fair value through profit or loss	(216)	(43.6)	(383)
Provisions or reversal of provisions and other results	(386)	(5.9)	(410)
Profit/(loss) before tax	**1,878**	**2.1**	**1,840**
Income tax	(489)	12.0	(437)
Profit/(loss) for the year	**1,389**	**(1.0)**	**1,403**
Non-controlling interests	(3)	(16.0)	(3)
Net attributable profit	**1,386**	**(1.0)**	**1,400**

(1) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	31-12-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	15,903	(44.3)	28,545
Financial assets designated at fair value	122,844	14.5	107,320
Of which: Loans and advances	34,175	13.1	30,222
Financial assets at amortized cost	195,269	(0.1)	195,467
Of which: Loans and advances to customers	167,341	(1.8)	170,438
Inter-area positions	21,621	54.2	14,026
Tangible assets	3,302	155.2	1,294
Other assets	6,436	(22.0)	8,249
Total assets/liabilities and equity	**365,374**	**3.0**	**354,901**
Financial liabilities held for trading and designated at fair value through profit or loss	78,684	10.8	71,033
Deposits from central banks and credit institutions	41,092	(10.5)	45,914
Deposits from customers	182,370	(0.6)	183,414
Debt certificates	35,523	13.3	31,352
Inter-area positions	-	-	-
Other liabilities	18,484	27.3	14,519
Economic capital allocated	9,220	6.3	8,670

Relevant business indicators	31-12-19	Δ %	31-12-18
Performing loans and advances to customers under management [1]	164,150	(1.4)	166,396
Non-performing loans	8,635	(14.3)	10,073
Customer deposits under management [1]	182,370	(0.3)	182,984
Off-balance sheet funds [2]	66,068	5.6	62,559
Risk-weighted assets	104,925	0.8	104,113
Efficiency ratio (%)	56.7		55.9
NPL ratio (%)	4.4		5.1
NPL coverage ratio (%)	60		57
Cost of risk (%)	0.12		0.21

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

The most relevant aspects related to the area's activity in 2019 have been:

- At the end of 2019, **lending activity** (performing loans under management) was lower year-on-year (down 1.4%), with a reduction in mortgage loans and in the institutional and corporate portfolios (-3.2%, -10.4% and -5.1%, respectively), partially offset by consumer growth (including credit cards, up 15.8%) as well as retail and medium-sized businesses (up 3.4% and up 6.4% year-on-year, respectively).
- In **asset quality**, the reduction in non-performing loan balances continued over the quarter, with a positive effect on the area's NPL ratio, which fell by 66 basis points along the year to stand at 4.4% as of December 31, 2019 (5.1% as of December 31, 2018). This evolution was mainly the result of the sale of non-performing and write-offs loan portfolios in 2019, as well as a lower level of non-performing loans in mortgage portfolios. The NPL coverage ratio was 60%, up from the figure at the end of 2018 (57%).
- Customer **deposits** under management stayed flat during the year (down 0,3%) and showed an increase in the last quarter (up 1.0%) as a result of the evolution of demand deposits (up 1.5%), which managed to offset the fall in time deposits (down 1.8%).
- **Off-balance sheet funds** showed a positive evolution (up 5.6% since December 31, 2018), in both mutual and pension funds.

Results

The 2019 **net attributable profit** generated by BBVA in Spain was €1,386m, slightly below the same period of the previous year (down 1.0%).

The main highlights of the area's income statement are:

- The **net interest income** registered a slight increase in the quarter (up 1.3%) that allowed the annual rate of decline to decrease (-1.4%, compared to -1.9% year-on-year at the end of September 2019). This is mainly due to the smaller contribution from the ALCO portfolios and the effect of IFRS 16, which entered into force on January 1, 2019.
- **Net fees and commissions** also evolved very positively in the quarter (up 5.0%), mainly due to corporate banking operations, and also due to the good performance of the commissions charged for asset management. In the year, they increased by 4.1%.
- In the **NTI** line, the quarterly evolution was very notable, which did not manage to offset the smaller contribution compared to the previous year (down 54.9%) due to the irregular behavior of the markets in 2019, as well as the lower portfolio sales.
- The evolution of **other income and operating expenses** improved significantly compared to 2018 (up 65.2%) despite the increase to The Deposit Guarantee Fund in the last quarter of 2019, and thanks to the positive evolution of net insurance earnings and the lower costs associated with the real estate business, which are also included in this line of the income statement.
- The excellent trend in **operating expenses** (down 2.4% year-on-year) continued as a result of the cost reduction plans. As a result, the **efficiency** ratio stood at 56.7%.
- The **impairment on financial assets** fell compared to 2018, helped by the positive effect of the sale of non-performing and written-off mortgage loan portfolios in the year.
- Finally, **provisions and other results** closed at €-386m, or 5.9% lower than the previous year.

The United States

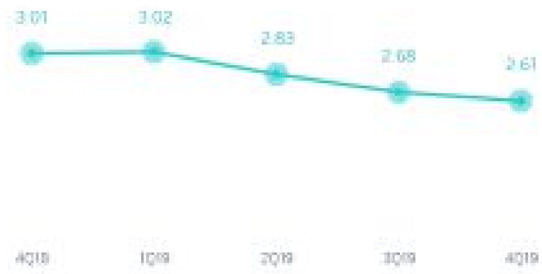
Highlights

- **Activity impacted by Fed's interest-rate cuts.**
- **Good performance of net fees and commissions and NTI.**
- **Continued improvement of the efficiency ratio.**
- **Net attributable profit affected by the impairment on financial assets.**

BUSINESS ACTIVITY [(1)]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 31-12-19)

(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)



OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)

(1) At current exchange rate: +11.4%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)

(1) At current exchange rate: -19.9%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2019	Δ %	Δ % (1)	2018
Net interest income	**2,395**	**5.2**	**(0.2)**	**2,276**
Net fees and commissions	644	8.1	2.6	596
Net trading income	173	58.8	51.6	109
Other operating income and expenses	12	31.7	29.3	9
Gross income	**3,223**	**7.8**	**2.3**	**2,989**
Operating expenses	(1,966)	5.7	0.3	(1,861)
Personnel expenses	(1,126)	7.2	1.7	(1,051)
Other administrative expenses	(621)	(1.7)	(6.7)	(632)
Depreciation	(219)	23.1	16.8	(178)
Operating income	**1,257**	**11.4**	**5.8**	**1,129**
Impairment on financial assets not measured at fair value through profit or loss	(550)	144.9	132.3	(225)
Provisions or reversal of provisions and other results	(2)	n.s.	n.s.	16
Profit/(loss) before tax	**705**	**(23.4)**	**(27.3)**	**920**
Income tax	(115)	(37.7)	(40.8)	(185)
Profit/(loss) for the year	**590**	**(19.9)**	**(23.9)**	**736**
Non-controlling interests	-	-	-	-
Net attributable profit	**590**	**(19.9)**	**(23.9)**	**736**

Balance sheets	31-12-19	Δ %	Δ % (1)	31-12-18
Cash, cash balances at central banks and other demand deposits	8,293	71.5	68.3	4,835
Financial assets designated at fair value	7,659	(26.9)	(28.3)	10,481
Of which: Loans and advances	261	67.1	63.9	156
Financial assets at amortized cost	69,510	9.4	7.3	63,539
Of which: Loans and advances to customers	63,162	3.9	1.9	60,808
Inter-area positions	-	-	-	-
Tangible assets	914	36.7	34.2	668
Other assets	2,153	(15.0)	(16.6)	2,534
Total assets/liabilities and equity	**88,529**	**7.9**	**5.9**	**82,057**
Financial liabilities held for trading and designated at fair value through profit or loss	282	20.2	18.0	234
Deposits from central banks and credit institutions	4,081	21.1	18.8	3,370
Deposits from customers	67,525	5.7	3.7	63,891
Debt certificates	3,551	(1.4)	(3.2)	3,599
Inter-area positions	3,416	77.3	74.0	1,926
Other liabilities	5,831	3.1	1.2	5,654
Economic capital allocated	3,843	13.6	11.5	3,383

Relevant business indicators	31-12-19	Δ %	Δ % (1)	31-12-18
Performing loans and advances to customers under management (2)	63,241	4.0	2.1	60,784
Non-performing loans	730	(9.0)	(10.7)	802
Customer deposits under management (2)	67,528	5.7	3.7	63,888
Off-balance sheet funds (3)	-	-	-	-
Risk-weighted assets	65,170	1.5	(0.4)	64,175
Efficiency ratio (%)	61.0			62.2
NPL ratio (%)	1.1			1.3
NPL coverage ratio (%)	101			85
Cost of risk (%)	0.88			0.39

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rates. These rates, together with the changes at the current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity in 2019 were as follows:

- **Lending activity** (performing loans under management) increased quarter-over-quarter and year-on-year (up 3.0% and up 2.1%, respectively), mainly due to the dynamism of the corporate banking and commercial portfolio. The **retail portfolio** remained practically flat during 2019 (down 0.9%), with slight declines in the mortgage and consumer portfolios, which were partially offset by the increase in credit cards, mainly due to BBVA's commercial effort to promote this product amongst its clients.
- With regard to the **risk indicators**, there was a significant reduction in non-performing loans in the quarter that caused the NPL ratio to stand at 1.1% at year end. The NPL coverage ratio improved to 101%.
- **Customer** deposits under management increased 3.7% year-on-year, explained by an increase in demand deposits (+10.6%), which offset the decrease in term deposits (-15.4%).

Results

The United States generated a net attributable **profit** of €590m during 2019, which is 23.9% lower than the previous year as a result of the increase in the impairment of financial assets. The most relevant aspects related to the income statement are summarized below:

- The **net interest income** was stable during the year, since the good performance during the first half of the year was hampered by the Fed rate cuts in the second half of the year. This line decreased 2.1% in the last quarter of the year.
- **Net fees and commissions** increased 2.6% in the year mainly due to the increase in those fees and commissions related to investment banking, cards, commercial establishments and, to a lesser extent, those associated with syndicated loans.
- Significant increase in **NTI** (up 51.6% in the year) as a result of greater capital gains from the sale of ALCO portfolios.
- **Operating expenses** remained stable (up 0.3%) in 2019.
- There was an increase in the **impairment of financial assets** during 2019 (up 132.3%), due to provisions for specific commercial portfolio customers, more write-offs in the consumer portfolio and an adjustment in the macro scenario. In addition, the comparison was affected by the release in 2018 of hurricane-related provisions from the previous year. Consequently, the cumulative cost of risk as of December 2019 increased to 0.88%, compared with 0.39% as of December 2018.

Mexico

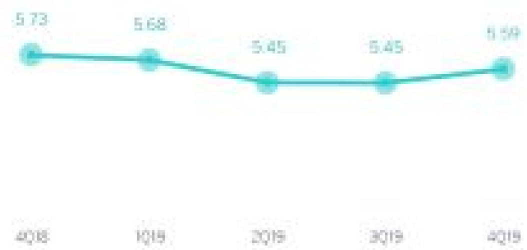
Highlights

- **Good performance of the lending activity, boosted by growth in the retail portfolio.**
- **Positive trend of customer funds especially in demand deposits.**
- **Net Interest Income growth in line with activity.**
- **Excellent performance of the NTI.**
- **Cumulative cost of risk at historically low levels.**

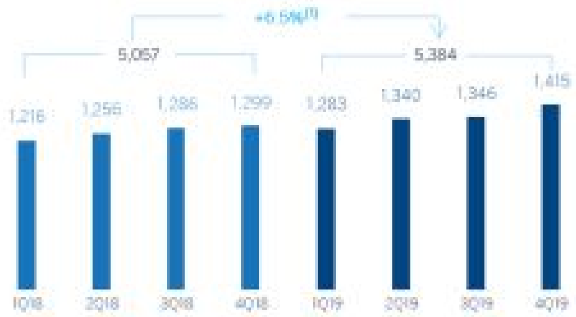
BUSINESS ACTIVITY [1]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 31-12-19)

(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)



OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +12.2%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)

(1) At current exchange rate: +14.0%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2019	Δ %	Δ % (1)	2018
Net interest income	**6,209**	**11.5**	**5.9**	**5,568**
Net fees and commissions	1,298	7.8	2.3	1,205
Net trading income	310	38.7	31.7	223
Other operating income and expenses	212	7.6	2.1	197
Gross income	**8,029**	**11.6**	**6.0**	**7,193**
Operating expenses	(2,645)	10.6	4.9	(2,392)
Personnel expenses	(1,124)	9.8	4.3	(1,024)
Other administrative expenses	(1,175)	5.3	(0.0)	(1,115)
Depreciation	(346)	36.6	29.7	(253)
Operating income	**5,384**	**12.2**	**6.5**	**4,800**
Impairment on financial assets not measured at fair value through profit or loss	(1,698)	9.2	3.6	(1,555)
Provisions or reversal of provisions and other results	5	(80.4)	(81.4)	24
Profit/(loss) before tax	**3,691**	**12.9**	**7.2**	**3,269**
Income tax	(992)	10.0	4.4	(901)
Profit/(loss) for the year	**2,699**	**14.0**	**8.2**	**2,368**
Non-controlling interests	(0)	14.1	8.3	(0)
Net attributable profit	**2,699**	**14.0**	**8.2**	**2,367**

Balance sheets	31-12-19	Δ %	Δ %(1)	31-12-18
Cash, cash balances at central banks and other demand deposits	6,489	(21.6)	(26.0)	8,274
Financial assets designated at fair value	31,402	20.7	13.9	26,022
Of which: Loans and advances	777	n.s.	n.s.	72
Financial assets at amortized cost	66,180	14.7	8.2	57,709
Of which: Loans and advances to customers	58,081	13.7	7.2	51,101
Tangible assets	2,022	13.1	6.7	1,788
Other assets	2,985	(18.0)	(22.6)	3,639
Total assets/liabilities and equity	**109,079**	**12.0**	**5.6**	**97,432**
Financial liabilities held for trading and designated at fair value through profit or loss	21,784	20.8	14.0	18,028
Deposits from central banks and credit institutions	2,117	209.9	192.3	683
Deposits from customers	55,934	10.7	4.4	50,530
Debt certificates	8,840	3.2	(2.6)	8,566
Other liabilities	15,514	0.2	(5.5)	15,485
Economic capital allocated	4,889	18.1	11.4	4,140

Relevant business indicators	31-12-19	Δ %	Δ % (1)	31-12-18
Performing loans and advances to customers under management (2)	58,617	14.1	7.6	51,387
Non-performing loans	1,478	29.9	22.5	1,138
Customer deposits under management (2)	55,331	11.2	4.9	49,740
Off-balance sheet funds (3)	24,464	18.5	11.8	20,647
Risk-weighted assets	59,299	11.5	5.2	53,177
Efficiency ratio (%)	32.9			33.3
NPL ratio (%)	2.4			2.1
NPL coverage ratio (%)	136			154
Cost of risk (%)	3.01			3.07

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rates. These rates, together with changes at constant exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity in 2019 have been:

- **Lending activity** (performing loans under management) showed a strong dynamism in the final quarter of the year, with growth of 1.7% that boosted the year-on-year variation to 7.6%. It can be seen that even when economic uncertainty was observed throughout the year and there was a slowdown in credit growth in the system, BBVA managed to maintain its leadership position in Mexico, with a market share of 22.8% in performing loans, according to local figures from the National Banking and Securities Commission (CNBV) at the end of November 2019.
- The **wholesale** portfolio, showed an increase of 5.1% year on year, driven mainly by the positive performance of business loans which grew by 3.9% in 2019. It should be noted the positive performance of the corporate banking portfolio in the quarter, which managed to reverse the downward trend observed until September to end the year with a positive growth compared to 2018. The **retail** portfolio maintained the dynamism shown throughout 2019 and closed the year with a year-on-year growth rate of 8.1%, strongly supported by consumer loans (payroll and those loans used for the purchase of cars, mainly) and mortgages (up 13.1% and up 10.5% respectively, compared to December 2018). This portfolio also showed a double-digit year-on-year growth rate in the new loan production.
- In terms of **asset quality** indicators, the NPL ratio stood at 2.4% while NPL coverage ratio stood at 136%.
- Total customer **funds** (customer deposits under management, mutual funds and other off-balance sheet funds) grew by 7.0%, despite the highly competitive market. The rise can be explained by an increase in the demand deposits (up 6.2%), and the positive evolution of mutual funds (up 16.7%), driven by the wide range of these type of investment products. Regarding the funding mix, demand deposits represent 80% of the total customer deposits under management at the end of 2019.

Results

BBVA in Mexico achieved a net attributable **profit** of €2,699m in 2019, up 8.2% year-on-year. The most relevant aspects related to the income statement are summarized below:

- The strong performance of the **net interest income**, with a year-on-year growth of 5.9%, driven by higher income from the retail portfolio.
- **Net fees and commissions** grew by 2.3%, despite the strong pressures from the competitive environment. This evolution is mainly explained by the increase in the credit card billing from customers.
- **NTI** showed an excellent performance, with a 31.7% year-on-year growth derived mainly from the gains coming from portfolio sales.
- **Other operating income and expenses** increased by 2.1% year-on-year, resulting from higher earnings in the insurance business and despite the higher contribution to the Deposit Guarantee Fund.
- **Gross income** grew by 6.0% in year-on-year terms, exceeding the increase in **operating expenses** (up 4.9%) which, despite being heavily influenced by the increase in the contribution to the Foundation, follow a strict cost control policy. As a result, the efficiency ratio improved in 2019 to 32.9%.
- The **impairment on financial assets** line increased by 3.6% mainly due to the higher requirement derived from the greater dynamism observed in the retail portfolio, and the negative impact of the deterioration in the macro scenario. Despite all of the above, the cumulative cost of risk stood at 3.01% in 2019, which is the lowest level of the last nine years.
- In the **provisions (net) and other gains (losses)** line, the comparison was negative due to extraordinary income in the first half of 2018 from the sale of holdings in real estate developments by BBVA in Mexico.

Turkey

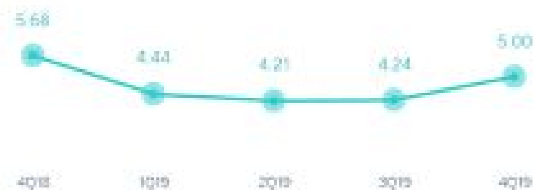
Highlights

- **In Turkish lira, positive activity performance and relevant improvement in the spread.**
- **Operating expenses growth below the inflation rate.**
- **Positive evolution of net fees and commissions and lower requirements for loan-loss provisions on financial assets.**

BUSINESS ACTIVITY [(1)]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 31-12-19)

(1) Excluding repos.

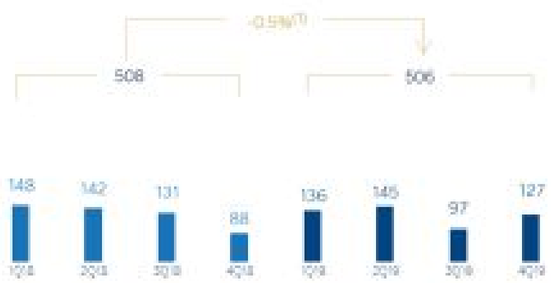
NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)



OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)

(1) At current exchange rate: -10.5%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -10.7%

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2019	Δ %	Δ %[1]	2018
Net interest income	**2,814**	**(10.2)**	**0.1**	**3,135**
Net fees and commissions	717	4.5	16.5	686
Net trading income	10	(11.7)	(1.6)	11
Other operating income and expenses	50	(28.7)	(20.5)	70
Gross income	**3,590**	**(8.0)**	**2.6**	**3,901**
Operating expenses	(1,215)	(2.6)	8.6	(1,247)
Personnel expenses	(678)	3.3	15.2	(656)
Other administrative expenses	(359)	(20.8)	(11.8)	(453)
Depreciation	(179)	29.3	44.1	(138)
Operating income	**2,375**	**(10.5)**	**(0.2)**	**2,654**
Impairment on financial assets not measured at fair value through profit or loss	(906)	(24.6)	(16.0)	(1,202)
Provisions or reversal of provisions and other results	(128)	n.s.	n.s.	(8)
Profit/(loss) before tax	**1,341**	**(7.1)**	**3.5**	**1,444**
Income tax	(312)	6.5	18.7	(293)
Profit/(loss) for the year	**1,029**	**(10.6)**	**(0.3)**	**1,151**
Non-controlling interests	(524)	(10.4)	(0.2)	(585)
Net attributable profit	**506**	**(10.7)**	**(0.5)**	**567**

Balance sheets	31-12-19	Δ %	Δ %[1]	31-12-18
Cash, cash balances at central banks and other demand deposits	5,486	(30.1)	(22.9)	7,853
Financial assets designated at fair value	5,268	(4.3)	5.6	5,506
Of which: Loans and advances	444	8.4	19.6	410
Financial assets at amortized cost	51,285	1.9	12.5	50,315
Of which: Loans and advances to customers	40,500	(2.4)	7.7	41,478
Tangible assets	1,117	5.5	16.4	1,059
Other assets	1,260	(16.9)	(8.4)	1,517
Total assets/liabilities and equity	**64,416**	**(2.8)**	**7.3**	**66,250**
Financial liabilities held for trading and designated at fair value through profit or loss	2,184	17.9	30.1	1,852
Deposits from central banks and credit institutions	4,473	(33.6)	(26.7)	6,734
Deposits from customers	41,335	3.6	14.3	39,905
Debt certificates	4,271	(28.4)	(21.0)	5,964
Other liabilities	9,481	2.3	12.9	9,267
Economic capital allocated	2,672	5.7	16.6	2,529

Relevant business indicators	31-12-19	Δ %	Δ %[1]	31-12-18
Performing loans and advances to customers under management [2]	39,662	(3.3)	6.7	40,996
Non-performing loans	3,663	27.4	40.5	2,876
Customer deposits under management [2]	41,324	3.6	14.3	39,897
Off-balance sheet funds [3]	3,906	35.0	48.9	2,894
Risk-weighted assets	56,642	0.3	10.6	56,486
Efficiency ratio (%)	33.8			32.0
NPL ratio (%)	7.0			5.3
NPL coverage ratio (%)	75			81
Cost of risk (%)	2.07			2.44

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated and communicated otherwise, rates of changes explained ahead, both for activity and for income, will be presented at constant exchange rates. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators.

The most relevant aspects related to the area's activity year-to-date as of December 31, 2019 were:

- **Lending** activity (performing loans under management) rose by 6.7% year-to-date (up 8.2% in quarterly terms) mainly driven by Turkish Lira loan growth. Significant performance of Turkish Lira loans in the last quarter of 2019 by 6.6% where foreign currency loans remained stable after the contraction in the first nine months of 2019 (in U.S. dollar terms).
- Turkish Lira **commercial loans** grew year-to-date thanks to a strong performance in the first quarter supported by the Credit Guarantee Fund (CGF) utilization and short term corporate loans. In addition, consumer loans expanded in year-on-year terms of, explained by the improvement in the last quarter of the year mainly driven by the General Purpose Loans and thanks to the declining interest rate environment. Additionally, credit cards continued to show solid performance on a year-on-year basis.
- In terms of **asset quality**, the NPL ratio slightly decreased to 7.0% from 7.2% as of September 30, 2019. The NPL coverage ratio stands at 75% December 31, 2019.
- **Customer** deposits under management (64% of total liabilities in the area as of December 31, 2019) remained the main source of funding for the balance sheet and increased by 14.3% on a year-on-year basis. It is worth mentioning the good performance of demand deposits, which increased by 38.6% year-on-year and 12.3% in the last quarter. Demand deposits share in total deposits is 38.1%.

Results

Turkey generated a net attributable **profit** of €506m in 2019 representing a flattish year-on-year evolution (down 0.5%). The net attributable profit of this business area in the fourth quarter increased by 31.5%. The most significant aspects of the year-on-year evolution in the income statement are the following:

- **Net interest income** remains stable mainly thanks to the successful price management that led to increase in both Turkish Lira and Foreign currency spreads offset by a sharp reduction in inflation-linked bonds contribution.
- Income from **net fees and commissions** grew by 16.5%. This significant increase was mainly driven by the positive performance in payment systems and backed by money transfers and non-cash loans.
- Flat **NTI** despite the unfavorable market conditions.
- **Gross income** grew by 2.6% in 2019 compared to 2018, thanks to the increase in core banking revenues.
- **Operating expenses** increased by 8.6%, significantly below the average inflation rate during the last 12 months which stood an average of 15.5%. As a result of strict cost-control discipline, the efficiency ratio remained at low levels (33.8%).
- **Impairment on financial assets** declined by 16.0% on a year-on-year basis due to lower negative impacts from the macro scenario update and higher big ticket provisions coming from the wholesale-customer portfolio in 2018. As a result, the cumulative cost of risk of the area stood at 2.07%.
- **Provisions or reversal of provisions and other results** subtracts €128m versus €8m in 2018 due to higher provisions for contingent liabilities and commitments.

South America

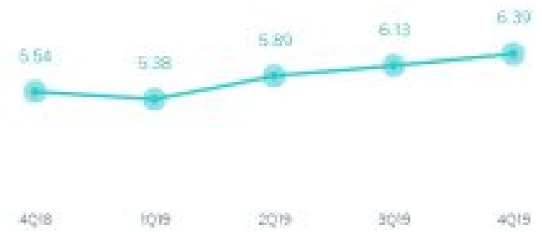
Highlights

- **Positive evolution of activity in the main countries: Argentina, Colombia and Peru.**
- **Improved efficiency ratio, supported by the growth in net interest income and the control in operating expenses.**
- **Greater NTI contribution in the year due to the positive effect derived from Prisma sale in Argentina and the positive contribution of foreign exchange transactions.**
- **Net attributable profit impacted by Argentina's inflation adjustment.**
- **Positive contribution of the main countries to the Group's attributable profit.**

BUSINESS ACTIVITY [(1)]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATES. DATA AS OF 31-12-19)

(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)



OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

(1) At current exchange rate: +14.3%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

(1) At current exchange rate: +24.8%

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	**2019**	**Δ %**	**Δ % (1)**	**2018**
Net interest income	**3,196**	**6.2**	**15.2**	**3,009**
Net fees and commissions	557	(11.9)	(5.0)	631
Net trading income	576	42.3	58.1	405
Other operating income and expenses	(479)	39.1	33.6	(344)
Gross income	**3,850**	**4.0**	**14.3**	**3,701**
Operating expenses	(1,574)	(7.9)	1.6	(1,709)
Personnel expenses	(794)	(6.1)	4.2	(846)
Other administrative expenses	(609)	(17.5)	(9.0)	(738)
Depreciation	(171)	36.7	45.6	(125)
Operating income	**2,276**	**14.3**	**25.2**	**1,992**
Impairment on financial assets not measured at fair value through profit or loss	(777)	21.7	29.4	(638)
Provisions or reversal of provisions and other results	(103)	57.8	83.4	(65)
Profit/(loss) before tax	**1,396**	**8.3**	**20.1**	**1,288**
Income tax	(368)	(21.6)	(16.3)	(469)
Profit/(loss) for the year	**1,028**	**25.5**	**42.3**	**819**
Non-controlling interests	(307)	27.1	38.8	(241)
Net attributable profit	**721**	**24.8**	**43.8**	**578**
BBVA Chile (2)	**-**	**-**	**-**	**64**
Net attributable profit excluding BBVA Chile	**721**	**40.4**	**64.0**	**514**

Balance sheets	**31-12-19**	**Δ %**	**Δ %(1)**	**31-12-18**
Cash, cash balances at central banks and other demand deposits	8,601	(4.3)	5.3	8,987
Financial assets designated at fair value	6,120	8.6	13.1	5,634
Of which: Loans and advances	114	(11.7)	(13.2)	129
Financial assets at amortized cost	37,869	3.3	7.4	36,649
Of which: Loans and advances to customers	35,701	3.6	7.5	34,469
Tangible assets	968	19.1	25.3	813
Other assets	1,438	(37.2)	(34.1)	2,290
Total assets/liabilities and equity	**54,996**	**1.1**	**6.1**	**54,373**
Financial liabilities held for trading and designated at fair value through profit or loss	1,860	37.1	36.0	1,357
Deposits from central banks and credit institutions	3,656	18.9	20.0	3,076
Deposits from customers	36,104	0.7	6.4	35,842
Debt certificates	3,220	0.4	0.9	3,206
Other liabilities	7,664	(10.3)	(4.8)	8,539
Economic capital allocated	2,492	5.8	11.9	2,355

Relevant business indicators	**31-12-19**	**Δ %**	**Δ % (1)**	**31-12-18**
Performing loans and advances to customers under management (3)	35,598	3.1	7.0	34,518
Non-performing loans	1,853	6.1	6.6	1,747
Customer deposits under management (4)	36,123	0.4	6.0	35,984
Off-balance sheet funds (5)	12,864	10.3	10.7	11,662
Risk-weighted assets	45,674	6.9	13.5	42,724
Efficiency ratio (%)	40.9			46.2
NPL ratio (%)	4.4			4.3
NPL coverage ratio (%)	100			97
Cost of risk (%)	1.88			1.44

(1) Figures at constant exchange rates.
(2) Earnings generated by BBVA Chile until its sale on July 6, 2018.
(3) Excluding repos.
(4) Excluding repos and including specific marketable debt securities.
(5) Includes mutual funds, pension funds and other off-balance sheet funds.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit			
Country	2019	Δ %	Δ % (1)	2018	2019	Δ %	Δ % (1)	2018
Argentina	548	213.6	n.s.	175	133	n.s.	n.s.	(32)
Chile	134	(53.7)	(51.9)	289	55	(60.0)	(58.5)	137
Colombia	639	0.2	5.6	638	267	19.1	25.5	224
Peru	827	13.4	9.2	730	202	5.9	1.9	191
Other countries (2)	128	(20.4)	(16.5)	160	65	11.6	19.9	59
Total	**2,276**	**14.3**	**25.2**	**1,992**	**721**	**24.8**	**43.8**	**578**

(1) Figures at constant exchange rates.
(2) Venezuela, Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

SOUTH AMERICA. RELEVANT BUSINESS INDICATORS PER COUNTRY (MILLIONS OF EUROS)

	Argentina		Chile		Colombia		Peru	
	31-12-19	31-12-18	31-12-19	31-12-18	31-12-19	31-12-18	31-12-19	31-12-18
Performing loans and advances to customers under management (1)(2)	2,929	2,716	1,806	1,935	12,853	12,040	15,030	13,859
Non-performing loans and guarantees given (1)	105	56	74	55	741	782	806	736
Customer deposits under management (1)(3)	4,366	3,851	6	10	12,696	12,761	14,643	13,331
Off-balance sheet funds (1)(4)	644	504	-	-	1,389	1,309	1,821	1,729
Risk-weighted assets	6,093	8,036	2,121	2,243	14,172	12,680	19,293	15,739
Efficiency ratio (%)	46.9	73.7	33.0	42.1	36.2	37.1	35.8	36.0
NPL ratio (%)	3.4	2.0	3.9	2.8	5.3	6.0	4.1	4.0
NPL coverage ratio (%)	161	111	91	93	98	100	96	93
Cost of risk (%)	4.22	1.60	2.79	0.81	1.67	2.16	1.45	0.98

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity and results

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity as of December 31, 2019 were:

- **Lending activity** (performing loans under management) remained above the end of the previous year, increasing by 7.0%. It is important to highlight the evolution of the retail portfolio, which continues to show positive performance especially in credit cards and consumer loans. With regard to **asset quality**, both the NPL ratio and NPL coverage ratio closed at 4.4% and 100%, respectively, slightly above the end of the previous year.
- On the **funding** side, deposits from customers under management increased by 6.0% in the year, mainly due to the growth of time deposits and, to a lesser extent, demand deposits. Off-balance sheet funds grew by 10.7% in the same period.

With respect to results, South America generated a cumulative net attributable **profit** of €721m in 2019, amounting to year-on-year growth of 43.8% (up 24.8% at current exchange rates). The cumulative impact in 2019 of hyperinflation in Argentina on the area's net attributable profit was €-98m.

The most relevant aspects of the income statement are summarized below:

- There was significant income generation from the **net interest income**, which grew 15.2% in the last twelve months (up +6.2% at current exchange rates).
- Higher contribution from **NTI** (up 58.1%, up 42.3% at current exchange rates) due to the positive effect derived from Prisma sale in Argentina and the positive contribution of foreign exchange transactions.
- **Operating expenses** were slightly higher than the previous year (up 1.6%, down 7.9% at current exchange rates).
- **Impairment on financial assets** increased by 29.4% (up 21.7% at current exchange rates), bringing the cumulative cost of risk to 1.88% as of the end of December 2019.
- Higher **provisions (net) and other gains (losses)** compared to the previous year (up 83.4%, up 57.8% at current exchange rates).

On homogeneous comparison, i.e. excluding the sale of BBVA Chile that was completed in July 2018, the net attributable profit grew by 40.4% in 2019 at current exchange rates compared to the previous year (+64.0% at constant exchange rates).

The most significant countries in the business area, **Argentina**, **Colombia** and **Peru**, performed as follows in 2019 in terms of activity and earnings:

Argentina

- **Lending activity** grew by 7.9% explained by the performance of retail loans, mainly due to the increased activity in consumer and credit card portfolios. With regards to asset quality, the NPL ratio increased compared to the last year and stood at 3.4% as of December 31, 2019. Despite this, it continued to perform better than the system and showed a decrease of 30 basis points in the quarter.
- In terms of **funding**, deposits from customers under management increased by 13.4%, mainly supported by demand deposits, while off-balance sheet funds increased by 27.9%, both compared to December 2018 figures.
- Net attributable **profit** was €133m, driven mainly by the strong performance of net interest income (due to the increased contribution from securities portfolios and a better customer spread) as well as an increase in NTI (positively impacted by the sale of the stake in Prisma Medios de Pago S.A. in the first quarter of 2019 and to foreign exchange transactions). This performance was negatively impacted by increased operating expenses, which were influenced by high levels of inflation and higher impairments on financial assets explained by the downgrade in the rating and by the situation of the country.

Colombia

- **Lending activity** grew 6.8% in the year explained by the good performance of the retail portfolio, especially consumer and mortgage loans and of the public sector loans. In terms of asset quality, the NPL ratio fell to 5.3% as of December 2019.
- **Deposits** from customers under management remained flat compared to the end of 2018.
- The **net attributable profit** stood at €267m, increasing by of 25.5% year-on-year basis, thanks to the generation of net interest income, the positive performance of the NTI (up 14.1%) due to sales of inflation-linked asset portfolios and the valuation of the security portfolio, lower level of impairments of financial assets and provisions and a lower tax rate, as a result of the court ruling declaring the corporate tax surcharge applicable to financial entities illegal.

Peru

- **Lending activity** increased by 8.5% compared to the end of 2018 mainly explained by the evolution of the wholesale portfolio and also supported by the strong performance of retail portfolios, especially consumer lending and mortgages. With regards to asset quality, there was an increase in the NPL ratio, to 4.1%, and in NPL coverage ratio, which reached 96%.
- **Customer** deposits under management increased by 9.8% in the year, mainly due to growth in the time deposits (up 27.0%).
- Good performance in the net interest income, which grew by 7.3% year-on-year due to higher business volumes. The NTI also showed an important increase of 25.6% year-on-year due to foreign exchange transactions. As a result, the net attributable **profit** stood at €202m, showing a year-on-year growth of 1.9%, offset by higher operating expenses and a higher level of impairments on financial assets.

Rest of Eurasia

Highlights

- Good performance in lending, especially in Asia.
- Flattish recurring revenue and positive performance of the NTI.
- Controlled growth of operating expenses.
- Improved risk indicators.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2019	Δ %	2018
Net interest income	**175**	**(0.0)**	**175**
Net fees and commissions	139	0.4	138
Net trading income	131	29.2	101
Other operating income and expenses	9	n.s.	(0)
Gross income	**454**	**9.6**	**414**
Operating expenses	(293)	2.2	(287)
Personnel expenses	(144)	5.7	(136)
Other administrative expenses	(131)	(9.2)	(144)
Depreciation	(18)	194.2	(6)
Operating income	**161**	**26.1**	**127**
Impairment on financial assets not measured at fair value through profit or loss	(4)	n.s.	24
Provisions or reversal of provisions and other results	6	n.s.	(3)
Profit/(loss) before tax	**163**	**10.0**	**148**
Income tax	(36)	(31.3)	(52)
Profit/(loss) for the year	**127**	**32.3**	**96**
Non-controlling interests	-	-	-
Net attributable profit	**127**	**32.3**	**96**

Balance sheets	31-12-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	247	3.8	238
Financial assets designated at fair value	477	(5.2)	504
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	22,224	24.9	17,799
Of which: Loans and advances to customers	19,660	18.4	16,598
Inter-area positions	-	-	-
Tangible assets	72	81.2	39
Other assets	228	(10.5)	254
Total assets/liabilities and equity	**23,248**	**23.4**	**18,834**
Financial liabilities held for trading and designated at fair value through profit or loss	57	36.7	42
Deposits from central banks and credit institutions	1,039	(18.2)	1,271
Deposits from customers	4,708	(3.5)	4,876
Debt certificates	836	292.6	213
Inter-area positions	15,336	34.5	11,406
Other liabilities	399	47.9	270
Economic capital allocated	873	15.4	757

Relevant business indicators	31-12-19	Δ %	31-12-18
Performing loans and advances to customers under management [(1)]	19,654	18.7	16,553
Non-performing loans	350	(18.7)	430
Customer deposits under management [(1)]	4,708	(3.5)	4,876
Off-balance sheet funds [(2)]	500	29.1	388
Risk-weighted assets	17,975	16.1	15,476
Efficiency ratio (%)	64.6		69.3
NPL ratio (%)	1.2		1.7
NPL coverage ratio (%)	98		83
Cost of risk (%)	0.02		(0.11)

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity and results

The most relevant aspects of the area's activity and earnings in 2019 were:

- Lending **activity** (loans and advances to customers) increased 18.7% in 2019, mainly driven by the strong performance in Asia.
- **Credit risk** indicators compare positively compared to the end of 2018: the non-performing loan ratio improved from 1.7% to 1.2 at the end of 2019 and the NPL coverage ratio increased from 83% to 98%.
- Customer **deposits** under management fell by 3.5% in 2019, affected by the negative interest rate environment in Europe.
- As regards to **earnings**, the NTI performed strongly (up 29.2% year-on-year) due to the contribution of commercial activity in the Global Markets area, which compensated for the decreased dynamism of the **net interest income** and **commissions**, which remained flat. Continued management of discretionary expenses resulted in controlled growth of **operating expenses** (up 2.2% year-on-year). The **impairment on financial assets** compares negatively with the previous year, due to the releases made in 2018 explained by the lower reserve requirement provisions in Europe. As a result, the area's net attributable **profit** in 2019 was €127m (up 32.3% year-on-year).

Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2019	Δ %	2018
Net interest income	**(233)**	**(13.4)**	**(269)**
Net fees and commissions	(73)	24.0	(59)
Net trading income	(54)	(65.0)	(155)
Other operating income and expenses	21	(66.1)	63
Gross income	**(339)**	**(19.3)**	**(420)**
Operating expenses	(955)	9.6	(871)
Personnel expenses	(591)	12.1	(527)
Other administrative expenses	(173)	20.3	(144)
Depreciation	(190)	(4.6)	(200)
Operating income	**(1,294)**	**0.2**	**(1,291)**
Impairment on financial assets not measured at fair value through profit or loss	(0)	(98.4)	(2)
Provisions or reversal of provisions and other results	(1,481)	n.s.	830
Profit/(loss) before tax	**(2,775)**	**n.s.**	**(463)**
Income tax [(1)]	258	119.3	118
Profit/(loss) for the year [(1)]	**(2,517)**	**n.s.**	**(346)**
Non-controlling interests	0	(91.8)	3
Net attributable profit [(1)]	**(2,517)**	**n.s.**	**(343)**
Of which:			
The United States goodwill impairment	**(1,318)**		
Capital gains from the sale of BBVA Chile			**633**
Net attributable profit excluding the goodwill impairment in the United States and the capital gains from the sale of BBVA Chile.	**(1,199)**	**22.8**	**(976)**

(1) As a result of the amendment to IAS 12 "Income Taxes", and in order to make the information comparable, the 2018 income statement has been restated.

Balance sheets	31-12-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	836	14.2	732
Financial assets designated at fair value	2,458	(10.2)	2,738
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	2,480	(6.9)	2,665
Of which: Loans and advances to customers	813	(17.9)	990
Inter-area positions	(21,621)	54.2	(14,026)
Tangible assets	2,240	42.4	1,573
Other assets	20,394	(9.8)	22,598
Total assets/liabilities and equity	**6,787**	**(58.3)**	**16,281**
Financial liabilities held for trading and designated at fair value through profit or loss	14	(65.1)	39
Deposits from central banks and credit institutions	718	(2.1)	733
Deposits from customers	308	n.s.	36
Debt certificates	7,764	(5.5)	8,212
Inter-area positions	(32,067)	40.6	(22,808)
Other liabilities	566	(70.5)	1,917
Economic capital allocated	(23,989)	9.9	(21,833)
Shareholders' funds	53,474	7.0	49,985

The Corporate Center recorded a negative net attributable **profit** of €2,517m in 2019, resulting from the goodwill impairment of the United States for an amount of €1,318m in December 2019. The 2018 net attributable profit was €-343m, as it included the net capital gains from the sale of BBVA Chile. In addition, the most significant parts of the change in the 2019 statement was:

- The **NTI** had a positive year-on-year comparison, as the losses generated in 2019 were lower than those in 2018, mainly due to increased capital gains in the portfolio of industrial and financial holdings.
- **Other operating income and expenses** primarily include Telefónica, S.A. dividends, as well as the income of companies accounted for by the equity method, including holdings in real estate companies. The positive contribution of this line in 2019 was 66.1% less than in 2018.
- **Operating expenses** include the expenses from the corporate functions and whose year-on-year increase (+9.6%) is related to the expenses associated with data and cybersecurity.
- The line of **provisions or reversal of provisions and other gains (losses)** shows, in 2019, the goodwill impairment in the United States, and in 2018, the capital gains generated by the sale of BBVA Chile

Risk management

General risk management and control model

The BBVA Group has a general risk management and control model (hereinafter, the "Model") that is appropriate for its business model, its organization, the countries where it operates and its corporate governance system. This model allows the Group to carry out its activity within the risk management and control strategy and policy defined by the corporate bodies of BBVA and to adapt itself to a changing economic and regulatory environment, facing this management at a global level and aligned to the circumstances at all times.

This model, which is fully applied in the Group, comprises the following basic elements:

- Governance and Organization
- Risk Appetite Framework
- Assessment, Monitoring and Reporting
- Infrastructure.

The Group promotes the development of a risk culture that ensures a consistent application of the Model in the Group, and that guarantees that the risks function is understood and internalized at all levels of the organization.

Governance and Organization

The risk governance model in the BBVA Group is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in monitoring and supervising its implementation on an ongoing basis.

Thus, and as explained below, the corporate bodies are responsible for approving the risk strategy and the corporate policies for the different types of risks. Global Risk Management (GRM) and Regulation and Internal Control (including, among other areas, Non-Financial Risks) are the functions responsible for its implementation and development, with the appropriate reporting to corporate bodies.

Responsibility for day-to-day management of risks falls on business and corporate areas, the activities of which adhere to the policies, regulation, infrastructures and controls that, based on the framework set by corporate bodies, are defined by Global Risk Management and Regulation & Internal Control in their corresponding areas of responsibility.

To carry out this work adequately, the financial risks function in the BBVA Group (GRM) has been set up as a single, global function independent from commercial areas.

The head of the risks function at an executive level, the Group's Chief Risk Officer (or CRO), is appointed by the Board of Directors as a member of its senior management, and reports directly on the development of the corresponding functions to the corporate bodies. The Chief Risk Officer, for the best fulfillment of the functions, is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical and/or business areas.

In addition, and with regard to internal control and non-financial risks, the Group has a Regulation & Internal Control area independent from the rest of units and whose head (Head of Regulation & Internal Control) is also appointed by the Board of Directors of BBVA and reports directly to corporate bodies on the performance of its functions. This area is responsible for proposing and implementing non-financial risks policies and the Internal Control Model of the Group and it is composed by, among other, the Non-Financial Risks, Regulatory Compliance and Risk Internal Control units.

The Risk Internal Control unit, within the Regulation & Internal Control area and, therefore, independent from the financial risks function (GRM), acts as a control unit for the activities carried out by GRM. In this regard, and without prejudice to the functions performed in this regard by the Internal Audit area, Risk Internal Control checks that the regulatory framework and established measures are sufficient and appropriate for each type of financial risk. It also monitors its implementation and operation, and confirms that those decisions taken by GRM are taken independently from the business lines and, in particular, that there's an adequate segregation of functions between units.

Governance and organizational structure are basic pillars for ensuring an effective risk management and control. This section summarizes the roles and responsibilities of the corporate bodies in the risks area, of the Group's Chief Risk Officer and, in general, of the risks function, its interrelation and the group of committees, in addition to the Risk Internal Control unit.

Corporate Bodies of BBVA

According to the corporate governance system of BBVA, the Board of Directors of the Bank has certain reserved powers concerning management, through the implementation of the corresponding most relevant decisions, and concerning supervision and control, through the monitoring and supervision of implemented decisions and management of the Bank.

In addition, and to ensure an adequate performance of the management and supervisory functions of the Board of Directors, the corporate governance system comprises different committees supporting the Board of Directors with regard to matters falling within their competence, and according to the specific charters of each committees. For this purpose, a coordinated work scheme between these corporate bodies has been established.

In terms of risks, the Board of Directors has reserved those powers referred to determining the risk control and management policy and the supervision and control of its implementation.

In addition, and for an adequate performance of its duties, the Board of Directors is assisted by the Risk and Compliance Committee ("CRC"), on the issues detailed below, and by the Executive Committee ("CDP"), which is focused on the strategy, finance and business functions of the Group, for the purposes of which it monitors the risks of the Group.

The involvement of the corporate bodies of BBVA in the control and management of the risks of the Group is detailed below:

- Board of Directors

  The Board of Directors is responsible for establishing the risk strategy of the Group and, in this role, it determines the risks management and control policy, through the following documents:

  - The Risk Appetite Framework of the Group, which includes in the one hand the risk appetite statement of the Group, that is, the general principles governing the risk strategy of the Group and its target profile; and, on the other hand, and based on the above mentioned risk appetite statement, a set of quantitative metrics (core metrics, and their corresponding statements, and by type of risk metrics), reflecting the risk profile of the Group;
  - The framework of management policies of the different types of risk to which the Bank is, or could be, exposed. They contain the basic lines for a consistent management and control of risks throughout the Group, and consistent with the Risk Appetite Framework and the Model; and
  - The model.

  All of the above in coordination with the rest of prospective-strategic decisions of the Bank, which includes the Strategic Plan, the Annual Budget and the capital and liquidity planning, in addition to the rest of management objectives, whose approval is a responsibility of the Board of Directors.

  In addition to defining the risk strategy, the Board of Directors, in the performance of its risks monitoring, management and control tasks, also monitors the evolution of the risks of the Group and of each main business and/or geographical area, ensuring compliance with the Risk Appetite Framework of the Group; and also supervising internal information and control systems.

  For the development of all these functions, the Board of Directors is supported by the CRC and the CDP, which are responsible for the functions detailed below.

- Risk and Compliance Committee

  The CRC is, according to its own charter, composed of non-executive directors and its main purpose is to assist the Board of Directors on the establishment and monitoring of the risk control and management policy of the Group.

  For this purpose, it assists the Board of Directors in a variety of risk control and monitoring areas, in addition to its analysis functions, based on the strategic pillars established by the Board of Directors and the CDP, the proposals on the risk management, control and strategy of the Group, which are particularly specified in the Risk Appetite Framework and in this Model. After the analysis, the Risk Appetite Framework and Model proposal is submitted to the Board of Directors for consideration and, where appropriate, approval purposes.

  In addition, the CRC proposes, in a manner consistent with the Risk Appetite Framework of the Group approved by the Board of Directors, the management and control policies of the different risks of the Group, and supervises the internal control and information systems.

  With regard to the monitoring of the evolution of the risks of the Group and their degree of compliance with the Risk Appetite Framework and defined policies, and without prejudice to the monitoring task carried out by the Board of Directors and the CDP, the CRC carries out monitoring and control tasks with greater frequency and receives information with a sufficient granularity to achieve an adequate performance of its duties.

  The CRC also analyzes all measures planned to mitigate the impact of all identified risks, should they materialize, which must be implemented by the CDP or the Board of Directors, as the case may be.

  The CRC also monitors the procedures, tools and measurement indicators of those risks established at a Group level in order to have a comprehensive view of the risks of BBVA and its Group, and monitors compliance with the regulation and supervisory requirements in terms of risks.

The CRC is also responsible for analyzing those project-related risks that are considered strategic for the Group or corporate transactions that are going to be submitted to the Board of Directors of the CDP, within its scope of competence.

In addition, it contributes to the setting of the remuneration policy, checking that it is compatible with an appropriate and efficient management of risks and that it does not provide incentives to take risks breaching the level tolerated by the Bank.

In 2019, the CRC has held 21 meetings.

Lastly, the CRC ensures the promotion of the risk culture in the Group.

- Executive Committee (CDP)

  In order to have a complete and comprehensive view of the progress of the businesses of the Group and its business units, the CDP monitors the evolution of the risk profile and the core metrics defined by the Board of Directors, being aware of any potential deviation or breach of the metrics of the Risk Appetite Framework and implementing, when applicable, the appropriate measures, as explained in this Model.

  In addition, the CDP is responsible for proposing the basis for developing the Risk Appetite Framework, which will be established in coordination with the rest of prospective/strategic decisions of the Bank (e.g., the Strategic Plan, the Annual Budget and the capital and liquidity planning), in addition to the rest of management objectives.

  Lastly, the CDP is the committee supporting the Board of Directors in decisions related to business risk and reputational risk, according to the dispositions set out in its own charter.

Chief Risk Officer of the Group

The Group's Chief Risk Officer (CRO) is responsible for the management of all the financial risks of the Group with the necessary independence, authority, rank, experience, knowledge and resources. The CRO is appointed by the Board of Directors of BBVA and has direct access to its corporate bodies (Board of Directors, CDP and CRC), with the corresponding regular reporting on the risk situation in the Group.

The GRM area has a responsibility as the unit transversal to all the businesses of the BBVA Group. This responsibility is part of the structure of the BBVA Group, which is formed by subsidiaries based in different jurisdictions, which have autonomy and must comply with their local regulation, but always according to the risk management and control scheme designed by BBVA as the parent company of the BBVA Group.

The Chief Risk Officer of the BBVA Group is responsible for ensuring that those risks of the BBVA Group within the scope are managed according to the established model, assuming, among other, the following responsibilities:

- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the risk strategy of the BBVA Group, which includes the Risk Appetite statement of the BBVA Group, core (and their respective statements) and by type of risk metrics, and the Model.
- Define, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the corporate policies for each type of risk within its scope of responsibility and, as part these, to establish the required specific regulation.
- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose for approval, or approving if within its competence, the risk limits for the geographies, business areas and/or legal entities, which shall be consistent with the defined Risk Appetite Framework; it is also responsible for the monitoring, supervision and control of risk limits within its scope of responsibility.
- Submit to the Risk and Compliance Committee the information required to carry out its supervisory and control functions.
- Regular reporting to the corresponding corporate bodies on the situation of those risks of the BBVA Group within its scope of responsibility.
- Identify and assess the material risks faced by the BBVA Group within its scope of responsibility, with an effective management of those risks and, where necessary, with the implementation of the required mitigation measures.
- Early warning to the relevant corporate bodies and the Chief Executive Officer of any material risk within its scope of responsibility that could compromise the solvency of the BBVA Group.
- Ensure, within its scope of responsibility, the integrity of measurement techniques and management information systems and, in general, the provision of models, tools, systems and resources to implement the risk strategy defined by the corporate bodies.
- Promote the risk culture of the BBVA Group to ensure the consistency of the Model in the different countries where it operates, strengthening the cross-cutting model of the risks function.

For decision-making purposes, the Chief Risk Officer of the Group has a governance structure for the function that culminates in a support forum, the Global Risk Management Committee (GRMC). This committee is the main executive committee for those risks within its competence, and its main purpose is the development of the strategies, policies, regulation and infrastructure required for identifying, assessing, measuring and managing those material risks within its scope of responsibility faced by the Group. This committee is composed by the Chief Risk Officer, who chairs the meetings, and the heads of the GRM corporate disciplines of the Risk Management Group, the four most relevant geographical risk areas, CIB, South America and Risk Internal Control. The purpose of the GRMC is to propose and challenge, among other issues, the internal risk regulatory framework and the infrastructures required to identify, assess, measure and manage the risks faced by the Group in carrying out its businesses and to approve risk limits by portfolio.

The GRMC carries out its functions assisted by various support committees which include:

- Global Credit Risk Management Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission.
- Wholesale Credit Risk Management Committee: its purpose is the analysis and decision-making regarding the admission of wholesale credit risk of certain customer segments of the BBVA Group.
- Work Out Committee: its purpose is to be informed about decisions taken under the delegation framework regarding risk proposals concerning clients on Watch List and clients classified as NPL of certain customer segments of the BBVA Group, as well the sanction of proposals regarding entries, exits and changes of Watch List, entries and exits in non-performing unlikely to pay and turns to written off.
- Asset Allocation Committee: The executive authority responsible for analyzing and deciding on credit risk issues related to processes aimed at achieving a portfolios combination and composition that, under the restrictions imposed by the Risk Appetite framework, allows to maximize the risk adjusted return on equity.
- Risk Models Management Committee: It ensures an appropriate decision-making process regarding the planning, development, implementation, use, validation and monitoring of the models required to achieve an appropriate management of the Model Risk in the BBVA Group.
- Global Markets Risk Unit Global Committee: It is responsible for formalizing, supervising and communicating the monitoring of trading desk risk in all the Global Markets business units, as well as coordinating and approving GMRU key decisions activity, and developing and proposing to GRMC the corporate regulation of the unit.
- Operational Risk and Product Governance Corporate Admission Committee: It is responsible for performing the adequate evaluation of initiatives with a significant operational risk (new business, products, outsourcing, process transformation, new systems....) under the perspective of operational risk and the approval of the budget control area.
- It identifies, analyzes and assesses the operational risks associated initiatives related with new business, products or services, outsourcing, process transformation and new systems, prior to its launch. As well, it will verify that Product Governance normative requirements are met and will decide about the insurance scheme (global policies).
- Retail Credit Risk Committee: It ensures for the analysis, discussion and decision support on all issues regarding the retail credit risk management that impact or potentially do in the practices, processes and corporate metrics established in the Policies, Rules and Operating Frameworks.
- Asset Management Global Risk Steering Committee: its purpose is to develop and coordinate the strategies, policies, procedures, and infrastructure necessary to identify, assess, measure and manage the material risks facing the bank in the operation of businesses linked to BBVA Asset Management.
- Global Insurance Risk Committee: its purpose is to guarantee and promote the alignment and the communication between all the Insurance Risk Units in the BBVA Group. It will do this by promoting the application of standardized principles, policies, tools and risk metrics in the different regions with the aim of maintaining proper integration of insurance risk management in the Group.
- COPOR: its purpose is to analyze and make decision in relation to the operations of the various geographies in which Global Markets is present.

Risk units of the corporate area and the business/geographical areas

The risks function is comprised of risk units from the corporate area, which carry out cross-cutting functions, and of risk units of the geographical/business areas.

- The risk units of the corporate area develop and submit to the Group’s Chief Risk Officer (CRO) the different elements required to define the proposal for the Group's Risk Appetite Framework, the corporate policies, regulation and global infrastructures within the operating framework approved by corporate bodies; they ensure their application and report directly or through the Group’s Chief Risk Officer (CRO) to the corporate bodies of BBVA. With regard to non-financial risks and reputational risk, which are entrusted tu Regulation & Internal Control and Communications & Responsible Business respectively, the corporate units of GRM will coordinate, with the corresponding corporate units of those areas, the development of the elements that should be integrated into the Appetite Framework of the Group.
- The risk units of the business and/or geographical areas develop and submit to the Chief Risk Officer of the geographical and/or business areas the Risk Appetite Framework proposal applicable in each geography

and/or business area, independently and always according to the Group's strategy/Risk Appetite Framework. In addition, they ensure the application of corporate policies and rules with the necessary adaptations, when applicable, to local requirements, providing the appropriate infrastructures for risk management and control purposes, within the global risk infrastructure framework defined by the corporate areas, and reporting to the corresponding corporate bodies and senior management, as applicable. With regard to Non-financial risks, which are integrated in the Regulation & Internal Control area, the local risk units will coordinate, with the unit responsible for the local management of this risk, the development of the elements that should be integrated into the local Risk Appetite Framework.

Thus, the local risk units work with the risk units of the corporate area with the aim of adapting themselves to the risk strategy at Group level and pooling all the information required to monitor the evolution of their risks.

As previously mentioned, the risks function has a decision-making process supported by a structure of committees, and also a top-level committee, the GRMC, whose composition and functions are described in section "Corporate Bodies of BBVA".

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

Under this organizational scheme, the risks function ensures the integration and application throughout the Group of the risk strategy, the regulatory framework, the infrastructures and standardized risk controls. It also benefits from the knowledge and proximity to customers in each geographical and/or business area, and conveys the corporate risk culture to the Group's different levels. Moreover, this organization enables the risks function to conduct and report to the corporate bodies an integrated monitoring and control of the risks of the entire Group.

Chief Risk Officers of geographical and/or business areas

The risks function is cross-cutting, i.e. it is present in all of the Group's geographical and/or business areas through specific risk units. Each of these units is headed by a Chief Risk Officer for the geographical and/or business area who, within the relevant scope of responsibility, carries out risk management and control functions and is responsible for applying the corporate policies and rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and with the subsequent reporting to local corporate bodies.

The Chief Risk Officers of the geographical and/or business areas have functional reporting to the Group's Chief Risk Officer and hierarchical reporting to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risks function from the operating functions and enable its alignment with the Group's corporate policies and goals related to risks.

Risk Internal Control

The Group has a specific Risk Internal Control unit, within the Regulation & Internal Control area, that, among other tasks, independently challenges and control the regulation and governance structure in terms of financial risks and its implementation and deployment in GRM, in addition to the challenge of the development and implementation of financial risks control and management processes. In addition, it is also responsible for validating the risk models.

For this purpose, it has 3 subunits: Risk Internal Control, Risks Technical Secretariat and Risk Internal Validation.

- Risk Internal Control. It is responsible for challenging an appropriate development of the functions of GRM units, and for reviewing that the functioning of financial risks management and control processes is appropriate and in line with the corresponding regulation, identifying potential opportunities for improvement and contributing to the design of the action plans to be implemented by the responsible units.
- Risks Technical Secretariat. It is responsible for the definition, design and management of the principles, policies, criteria and processes through which the regulatory risk framework is developed, processed, reported and disclosed to the countries; and for the coordination, monitoring and assessment of its consistency and completeness. In addition, it coordinates the definition and structure of Risks Committees, and monitors their proper functioning, in order to ensure that all risk decisions are taken through an adequate governance and structure, ensuring their traceability. It also provides to the CRC the technical support required in terms of financial risks for a better performance of its functions.
- Risk Internal Validation. It is responsible for validating the risks models. In this regard, it effectively challenges the relevant models used to manage and control the risks faced by the Group, as an independent third party from those developing or using the models in order to ensure its accuracy, robustness and stability. This review process is not restricted to the approval process, or to the introduction of changes in the models, but it is a plan to make a regular assessment of those models, with the subsequent issue of recommendations and actions to mitigate identified weaknesses.

The Head of Risk Internal Control of the Group is responsible for the function and the reporting of the activities and work plans to the Head of Regulation & Internal Control and to the CRC, with the corresponding support in the issues required.

In addition, the risk internal control function is global and transversal, it includes all types of financial risks and has specific units in all geographical and/or business areas, with functional reporting to the Head of Risk Internal Control of the Group.

Risk Appetite Framework

Elements and development

The Group's Risk Appetite Framework approved by the corporate bodies determines the risks and the risk level that the Group is willing to assume to achieve its business objectives considering the organic evolution of business. They are expressed in terms of solvency, liquidity and funding and profitability and income recurrence, which are reviewed periodically and in case of material changes in the business strategy of the entity or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk Appetite Statement: sets out the general principles of the Group's risk strategy and the target risk profile:

  The BBVA Group aims to promote a multichannel and responsible universal banking business model, based on values, committed to sustainable development and operational excellence and focused on our customers' needs.

  To achieve these goals, the BBVA risk model is oriented to maintaining a moderate risk profile, a robust financial position and a sound risk-adjusted profitability through-the-cycle, as the best way to face adverse environments without jeopardizing our strategic goals.

  Risk Management at BBVA is based on prudent management, an integral view of all risks, a portfolio diversification by geography, asset class and client segment and keeping a long-term relationship with the client; thereby contributing to sustainable and profitable growth and recurrent value creation.

- Statements and core metrics: based on the appetite statement, statements are established that specify the general principles of risk management in terms of solvency, liquidity and funding and profitability and income recurrence. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite statement. Each core metric has three thresholds ranging from usual management of the businesses to higher levels of impairment:
  - Management reference: reference that determines a comfortable management level for the Group.
  - Maximum appetite: maximum level of risk that the Group is willing to accept in its ordinary activity.
  - Maximum capacity: maximum risk level that the Group could assume which, for some metrics, is associated with regulatory requirements.
- Statements and metrics by type of risk: based on the core metrics and their thresholds for each type of risk, statements are established that set out the general management principles for that risk and a number of metrics are determined, whose observance enables compliance with the core metrics and the Group's Risk Appetite statement. These metrics have a maximum risk appetite threshold.

In addition to this Framework, there is a level of management limits that is defined and managed by the areas responsible for the management of each type of risk in the development of the structure of metrics by type of risk, in order to ensure that the early management of risks complies with that structure and, in general, with the established Risk Appetite Framework.

Each significant geographical area3 has its own Risk Appetite framework, consisting of its local Risk Appetite statement, core metrics and statements, metrics and statements by type of risk, which must be consistent with those set at the Group level, but adapted to their own reality. These are approved by the corresponding corporate bodies of each entity. This Appetite Framework is deployed through a structure of limits consistent with the above.

The corporate risks area works with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into, the Group's Risk Appetite Framework, making sure that its profile is in line with the one defined. Moreover, and for the purposes of monitoring at local level, the Chief Risks Officer of the geographical and/or business area regularly reports on the evolution of the metrics of the Local Appetite Framework to the corporate bodies, as well as to the relevant top-level local committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

Within the issuing process of the Risk Appetite Framework of the Risks area (GRM), Risk Internal Control carries out an effective challenge of the Framework before being submitted to corporate bodies for analysis and, where applicable, approval.

3 For the purposes of this model, significant is any geography representing more than 1% of the assets or operating income of the BBVA Group.

Monitoring of the Risk Appetite Framework and management of breaches

So that corporate bodies can develop the risk functions of the Group, the heads of risks at an executive level will regularly report (or more frequently in the case of the CRC, within its scope of responsibility) on the evolution of the metrics of the Risk Appetite Framework of the Group, with the sufficient granularity and detail, in order to check the degree of compliance of the risks strategy set out in the Risk Appetite Framework of the Group approved by the Board of Directors.

If, through the monitoring of the metrics and supervision of the Risk Appetite Framework by the executive areas, a relevant deviation or breach of the maximum appetite levels of the metrics is identified, that situation must be reported and, where applicable, the corresponding corrective measures must be submitted to the CRC.

After the relevant review by the CRC, the deviation must be reported to the CDP –as part of its role in the monitoring of the evolution of the risk profile of the Group– and to the Board of Directors, which will be responsible, when applicable, for implementing the corresponding executive measures. For this purpose, the CRC will submit to the corresponding corporate bodies all the information received and the proposals prepared by the executive areas, together with its own analysis.

Notwithstanding the foregoing, once the information has been analyzed and the proposal of corrective measures has been reviewed by the CRC, the CDP may adopt, on grounds of urgency and under the terms established by law, measures corresponding the Board of Directors, but always reporting those measures to the Board of Directors in the first meeting held after the implementation for ratification purposes.

In any case, an appropriate monitoring process will be established –with a greater information frequency and granularity, if required– regarding the evolution of the breached or deviated metric, and the implementation of the corrective measures, until it has been completely redressed, with the corresponding reporting to corporate bodies, in accordance with its risks monitoring, supervision and control functions.

Integration of the Risk Appetite Framework into the management

The transfer of the Risk Appetite Framework to ordinary management is underpinned by three basic elements:

1. The existence of a consistent regulatory framework: the corporate risks area defines and proposes the corporate policies within its scope of action, and develops the additional internal regulation required for the development of those policies and the operating frameworks on the basis of which risk decisions must be adopted within the Group. The approval of the corporate policies for all types of risks is a responsibility of the corporate bodies of BBVA, while the rest of regulation is defined at an executive level according to the framework of competences applicable at any given time. The risks units of the geographical and/or business areas comply with this regulation and performing, where necessary, the relevant adaptation to local requirements, in order to have a decision-making process that is appropriate at local level and aligned with the Group's policies.
2. Risk planning, which ensures the integration into the management of the Risk Appetite Framework through a cascade process established to set limits adjusted to the target risk profile. The risks units of the corporate area and of the geographical and/or business areas are responsible for ensuring the alignment of this process with the Group's Risk Appetite Framework in terms of solvency, liquidity and funding and profitability and income recurrence.
3. A comprehensive management of risks during their life cycle, based on differentiated treatment according to their type.

Assessment, monitoring and reporting

Assessment, monitoring and reporting is a cross-cutting function at Group level. This function ensures that the model has a dynamic and proactive vision to enable compliance with the Risk Appetite Framework approved by the corporate bodies, even in adverse scenarios.

This process is integrated in the activity of the risk units, both of the corporate area and in the geographical and/or business units, together with the units specialized in non-financial risks and reputational risk within the Regulation & Internal Control and Communications & Responsible Business areas respectively, in order to generate a comprehensive and single view of the risk profile of the Group.

This process is developed through the following phases:

- Monitoring of the identified risk factors that can compromise the performance of the Group or of the geographical and/or business areas in relation to the defined risk thresholds.
- Assessment of the impact of the materialization of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress testing scenarios.

- Response to unwanted situations and proposals for redressing measures to the corresponding levels, in order to enable a dynamic management of the situation, even before it takes place.
- Monitoring the Group's risk profile and the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.
- Reporting: complete and reliable information on the evolution of risks to corporate bodies and senior management, with the frequency and completeness appropriate to the nature, significance and complexity of the reported risks. The principle of transparency governs all the risk information reporting process.

Infrastructure

For the implementation of the Model, the Group has the resources required for an effective management and supervision of risks and for achieving its goals. In this regard, the Group's risks function:

- Has the appropriate human resources in terms of number, ability, knowledge and experience. The profile of resources will evolve over time based on the specific needs of GRM and Regulation & Internal Control, always with a high analytical and quantitative capacity as the main feature in the profile of those resources. Likewise, the corresponding units of the geographical and/or business areas ensure they have sufficient means from the resources, structures and tools perspective in order to achieve a risk management process aligned with the corporate model.
- Develops the appropriate methodologies and models for the measurement and management of the different risk profiles, and the assessment of the capital required to take those risks.
- Has the technological systems required to: support the risk appetite framework in its broadest definition; calculate and measure the variables and specific data of the risk function; support risk management according to this Model; and provide an environment for storing and using the data required for risk management purposes and reporting to supervisory bodies.
- Promotes an adequate data governance to ensure solid quality standards in the processes aligned with the relevant internal regulation.

Within the risk functions, both the profiles and the infrastructure and data shall have a global and consistent approach.

The human resources among the countries must be equivalent, ensuring a consistent operation of the risk function within the Group. However, they will be distinguished from those of the corporate area, as the latter will be more focused on the conceptualization of appetite frameworks, operating frameworks, the definition of the regulatory framework and the development of models, among other tasks.

As in the case of the human resources, technological platforms must be global, thus enabling the implementation of the risk appetite framework and the standardized management of the risk life cycle among all countries.

The corporate area is responsible for deciding on the platforms and for defining the knowledge and roles of the human resources. It is also responsible for defining risk data governance.

The foregoing is reported to the corporate bodies of BBVA so they can ensure that the Group has the appropriate means, systems, structures and resources.

Risk culture

The BBVA Group promotes the development of a risk culture based on the observance and understanding of values, attitudes, and behaviors that allow the compliance with the regulations and frameworks that contribute to an appropriate risk management.

At BBVA the Risk Governance Model is characterized by a special involvement of social bodies, as they define the risk culture that permeates the rest of the organization and has the following main elements:

- Our Purpose which defines our reason to be and with our values and behaviors guide the performance of our organization and the people who are part of it.
- The Risk Appetite Framework which determines the risks and levels of risks that the Group is willing to assume in order to fulfill its goals.
- The Code of Conduct establishes the behavior guidelines that we must follow to adjust our behavior to the BBVA values.

The Risk Culture at BBVA is based on these levers:

- Communication: The BBVA Group promotes the dissemination of the principles and values that should govern the conduct and risk management in a comprehensive and consistent manner. To do this, the most appropriate channels of communication are used, to allow for the Risk culture to be integrated into the business activities at all levels of the organization.

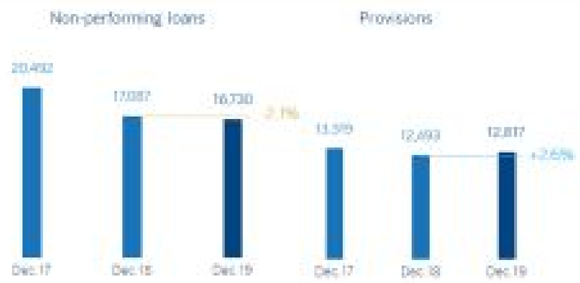
- Training: The BBVA Group favors the understanding of the values, risk management model, and the code of conduct in all scenarios, ensuring standards in skills and knowledge.
- Motivation: The BBVA Group aims to define incentives for BBVA employees that support the risk culture at all levels. Among these incentives, the role of the Compensation policy and incentive programs stand out, as well as implementation of risk culture control mechanisms, including the complaint channels and the disciplinary committees.
- Monitoring: The BBVA Group pursues at the highest levels of the organization a continuous evaluation and monitoring of the risk culture to guarantee its implementation and identification of areas for improvement.

Credit risk

Positive performance of BBVA Group's risk metrics in 2019:

- **Credit risk** increased by 1.9% in 2019. At constant exchange rates the growth was 1.7%, where the decrease in Spain was offset by growth in the other business areas. In the fourth quarter credit risk increased 0.9% (up 2.1% at constant exchange rates) Growth was particularly strong in Spain and Mexico; and in the United States and Turkey, at constant exchange rates.
- The **balance of non-performing loans** fell by 2.1% in 2019 (down 2.2 at constant exchange rates), primarily due to the sale of non-performing loan portfolios in Spain, partially offsetting the growth in Turkey and, to a lesser extent, in Mexico. In the fourth quarter if fell by 2.1% (down 0.7% at constant exchange rates).
- The **NPL ratio** stood at 3.8% at the end of 2019 a decrease of 12 basis points compared to September and of 15 basis points in t the year.
- **Loan-loss provisions** increased by 2.6% in the last twelve months (up 3.5% at constant exchange rates).
- The **NPL coverage ratio** closed at 77%, which was an improvement of 349 basis points compared to the close of 2018.
- The cumulative **cost of risk** stood at 1.04% at the end of 2019, in line with the end of 2018.

NON-PERFORMING LOANS AND PROVISIONS (MILLONS OF EUROS)



CREDIT RISK [1] (MILLIONS OF EUROS)

	31-12-19 [2]	30-09-19 [2]	30-06-19	31-03-19	31-12-18
Credit risk	**441,964**	**438,177**	**434,955**	**439,152**	**433,799**
Non-performing loans	16,730	17,092	16,706	17,297	17,087
Provisions	12,817	12,891	12,468	12,814	12,493
NPL ratio (%)	**3.8**	**3.9**	**3.8**	**3.9**	**3.9**
NPL coverage ratio (%) [3]	**77**	**75**	**75**	**74**	**73**

(1) Include gross loans and advances to customers plus guarantees given.
(2) Figures without considering the classification of non-current assets held for sale (NCA&L).
(3) The NPL coverage ratio includes the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A., see Note 7 of the consolidated Financial Statements). Excluding these allowances, the NPL coverage ratio would stand at 74% in 2019 and 70% in 2018.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)

	4Q19 [1] [2]	3Q19 [2]	2Q19	1Q19	4Q18
Beginning balance	**17,092**	**16,706**	**17,297**	**17,087**	**17,693**
Entries	2,484	2,565	2,458	2,353	3,019
Recoveries	(1,509)	(1,425)	(1,531)	(1,409)	(1,560)
Net variation	**975**	**1,139**	**927**	**944**	**1,459**
Write-offs	(1,074)	(991)	(958)	(775)	(1,693)
Exchange rate differences and other	(262)	237	(561)	41	(372)
Period-end balance	**16,730**	**17,092**	**16,706**	**17,297**	**17,087**
Memorandum item:					
Non-performing loans	15,954	16,337	15,999	16,559	16,348
Non performing guarantees given	777	755	707	738	739

(1) Preliminary data.
(2) Figures without considering the classification of non-current assets held for sale (NCA&L).

Market risk

For futher information, see Note 7.2 of the Consolidated Financial Statements.

Structural risks

Structural interest rate risk

The aim of managing **interest-rate** risk is to limit the sensitivity of the balance sheets to interest rate fluctuations. BBVA carries out this work through an internal procedure following the guidelines established by the European Banking Authority (EBA), which measures the sensitivity of net interest income and economic value to determine the potential impact of a range of scenarios on the Group's different balance sheets.

The model is based on assumptions intended to realistically mimic the behavior of the balance sheet. Of particular relevance are assumptions regarding the behavior of accounts with no explicit maturity and prepayment estimates. These assumptions are reviewed and adapted at least once a year to take into account any changes in behavior.

BBVA maintains, at the aggregate level, a favorable position in net interest income in the event of an increase in interest rates, as well as a moderate risk profile, in line with its target, through effective management of structural balance sheet risk.

By area, the main features of the balance sheets are:

- Spain and the United States have balance sheets characterized by a high proportion of variable-rate loans in the loan portfolio (basically, mortgages in Spain and corporate lending in both countries) and liability composed mainly of customer deposits. The ALCO portfolios act as hedges for the bank's balance sheet, mitigating its sensitivity to interest rate fluctuations. The profile of both balances remained stable during 2019, with a moderate reduction in the sensitivity of net interest income to lower interest rates in the two business areas.
- In Mexico, the balance shown throughout 2019 between the balances referenced at the fixed and variable interest rates was maintained. In terms of the assets most sensitive to interest rate fluctuations, the corporate portfolio stands out, while consumer loans and mortgages are mostly at a fixed rate. The ALCO portfolio is used to neutralize the longer duration of customer deposits. The sensitivity of the interest margin remained limited and stable during 2019.
- In Turkey, the interest rate risk (between the Turkish lira and US dollars) was very limited: on the asset side, the sensitivity of loans, mostly fixed-rate but with relatively short maturities and the ALCO portfolio, including inflation-linked bonds, is balanced by the sensitivity of deposits, which are re-priced in the short term, in liabilities. The evolution of the currency balance sheets was positive in the year, showing a reduction in the sensitivity of the net interest income.
- In South America, the interest rate risk remained low due to the fixed/variable composition and maturities being very similar for assets and liabilities in most countries in the region. In addition, in balance sheets with several currencies, interest rate risk is managed for each of the currencies, showing a very low level of risk. Balance sheet profiles in the countries that make up this business area remain stable, maintaining a bounded and near-constant net interest income sensitivity throughout 2019.

Structural foreign exchange rate risk

Foreign exchange risk management of BBVA's long-term investments, principally stemming from its overseas franchises, aims to preserve the Group's capital adequacy ratios and ensure the stability of its income statement.

In **2019**, the Argentine peso (-36%) and the Turkish lira (-9%) depreciated against the euro, while the Mexican peso (+6%) and the US dollar (+2%) appreciated on a year-on-year basis. BBVA has maintained its policy of actively hedging its main investments in emerging markets, covering on average between 30% and 50% of the annual earnings and around 70% of the excess CET1 capital ratio. Based on this policy, the sensitivity of the CET1 ratio to a depreciation of 10% against the euro of the main emerging-market currencies stood at -4 basis points for the Mexican peso and -2 basis points for the Turkish lira. In the case of the US dollar, the sensitivity to a depreciation of 10% against the euro is approximately +11 basis points, as a result of RWAs denominated in US dollars outside the United States. The coverage level for the expected earnings for 2020 is currently 24% for Mexico and 20% for Turkey.

Structural equity risk

For futher information, see Note 7.3 of the Consolidated Financial Statements.

Liquidity and funding risk

Management of **liquidity and funding** at BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing, always in compliance with current regulatory requirements.

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution **strategy**: the parent company sets the liquidity policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity, (taking deposits or accessing the market with their own rating), without fund transfers or financing occurring between either the parent company and the subsidiaries, or between the different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas, and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

The financial soundness of the BBVA Group's banking companies continues to be based on the funding of lending activity, fundamentally through the use of stable customer funds. During 2019, **liquidity** conditions remained strong across all countries in which the BBVA Group operates:

- In the eurozone, the liquidity situation remains strong, with a slight increase in the credit gap over the course of the year. In December, BBVA participated in the second liquidity auction of the European Central Bank's long-term loan program, TLTRO III, due to its favorable conditions in terms of cost and term. In this respect, the corresponding part of the TLTRO II program was amortized.
- In the United States, the liquidity situation is sound. In 2019, there was a decrease in the credit gap, primarily due to the increase in deposits, as a result of deposit-taking campaigns and a slowdown in lending activity. It should be noted that the very short term tensions that occurred in the United States repo market during the second half of the year, which forced the Federal Reserve to act by providing liquidity, had no impact on BBVA USA due to its low dependence on this type of transaction and the maintenance of an adequate liquidity buffer.
- In Mexico, the liquidity situation remains strong, despite a slight increase in the credit gap during the year due to a higher growth in credit investment compared to deposits. The liquidity situation reflects the measures that management carried out during the year to increase deposits, especially in foreign currency, under the pressure of strong competition.
- In Turkey, a good liquidity situation is maintained, despite the wholesale financing maturities recorded during the year, with an adequate buffer in the event of a possible liquidity stress scenario. The credit gap improved during the year on both balance sheets, due to the reduction of loans versus the growth of foreign currency deposits, while in local currency, there is a higher growth of deposits compared to loan growth.
- In South America, the liquidity situation remains strong throughout the region. In Argentina, the high volatility generated in the markets during the mid-year electoral process, resulted in an outflow of US dollar deposits in the banking system. The rate of outflows, however, had been substantially contained by the end of the year, and even experienced slight inflows. In this context, BBVA Argentina successfully dealt with this situation, relying on the solid liquidity position it maintained, as shown by the adequate liquidity ratios.

The BBVA Group's **liquidity coverage ratio** (LCR) remained well above 100% throughout 2019 and stood at 129% as of December 31, 2019. It comfortably exceeded 100% in all subsidiaries (eurozone 147%, Mexico 147%, the United States 145% and Turkey 206%). For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no kind of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 158% (29 percentage points above 129%).

The **Net Stable Funding Ratio** (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, is one of the Basel Committee's essential reforms, and requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance-sheet activities. This ratio should be at least 100% at all times. At the BBVA Group, the NSFR, calculated according to the Basel requirements, remained above 100% throughout 2019 and stood at 120% as of December 31, 2019. It comfortably exceeded 100% in all subsidiaries (eurozone 113%, Mexico 130%, the United States 116% and Turkey 151%).

The wholesale **financing** markets in which the Group operates remained stable.

The main transactions carried out by companies that form part of the BBVA Group during 2019 were:

- BBVA, S.A. issued three senior non-preferred debt instruments. The first was a €1,000m, five year term bond with a fixed annual coupon of 1.125%, d; the second, in the form of a green bond (second after the inaugural bond issued in May 2018), also amounted to €1,000m, with an annual coupon of 1% and a seven-year term; and the third one was issued in September for €1,000m over a five-year period with a coupon of 0.375%, being the lowest coupon achieved by a senior non-preferential debt issue in Spain and the lowest paid by BBVA for senior debt (preferred and non-preferred). In November, BBVA issued a €1,000m seven-year preferred senior debt instrument with a 0.375% coupon.

In addition, in January 2020, BBVA, S.A. issued a €1,250m seven-year senior non-preferred debt ars with a coupon of 0.5%; the lowest achieved by a Spanish issuer of this product with this maturity.

In regards to capital issuances, BBVA, S.A. conducted three public capital issuances: the issuance of preferred securities that may be converted into ordinary BBVA shares (CoCos), registered with the Spanish Securities Market Commission (CNMV) for €1,000m, with an annual coupon of 6.0% and an amortization option as of the fifth year; another issuance of CoCos, registered with the SEC, for USD 1,000m and a coupon of 6.5% with an amortization option after five and a half years; and a Tier 2 subordinated debt issuance of €750m, with a maturity period of ten years and an amortization option in the fifth year and a coupon of 2.575%.

In January 2020, BBVA, S.A. issued €1,000m of Tier 2 subordinated debt over a ten-year period, with an option of early amortization in the fifth year, and a coupon of 1%.

In addition, during 2019 the early amortization option of the CoCos issuance in the amount of €1,500m with a coupon of 7% and issued in February 2014, was executed, and in February 2020, the amortization of the €1,500m CoCos issued in February 2015 with a coupon of 6.75%, was announced; a Tier 2 subordinated debt issuance for €1,500m with a coupon of 3.5% and issued in April 2014, was also amortized. In June 2019, BBVA, S.A., as the universal successor to Unnim Banc, S.A.U., exercised the early amortization of the issuance of subordinated bonds, originally issued by Caixa d'Estalvis de Sabadell, for an outstanding nominal amount of €4,878,000.

- In the United States, BBVA USA, during the third quarter of the year, issued USD 600m senior bond with a five-year maturity and 2.5% coupon. The purpose of this issuance was to renew a maturity of the same amount.
- In Mexico, a €471m senior debt instrument was issued in the second quarter of the year in the local market in two tranches: €236m three year maturity at a rate of TIIE +28 basis points and a €236m 8 years maturity referenced to Mbono +80 basis points, obtaining the lowest funding cost in the history of the local market in both maturities. In the third quarter, a Tier 2 issuance was executed in the amount of USD 750m, with a maturity of 15 years, with an early amortization option in the tenth year and a coupon of 5.875%. The funds obtained were used to carry out a partial repurchase of two subordinated issuances that were no longer being calculated in capital (USD 250m with maturity in 2020 and USD 500m with maturity in 2021).
- In Turkey, Garanti BBVA, in the first quarter of the year, issued a Diversified Payment Rights (DPR) securitization for USD 150m with a five year maturity. It also renewed syndicated loans for USD 784m in the first half of the year and USD 800m in the second half of the year. Garanti obtained financing for an amount of USD 322m through a bilateral loan and issued a USD 50m green bond in December. Additional bilateral funds for USD 110m were also signed in December 2019.
- In South America, during 2019, BBVA Peru issued an equivalent amount of €116m, of which, €66m were issued during the last quarter of the year. While BBVA Argentina issued marketable bonds on the local market for approximately €53m (€29m in the last quarter of the year, after the change of government). In Chile, Forum issued a bond on the local market for an amount equivalent to €107m in the first half of 2019.

Operational Risk

BBVA defines operational risk (“OR”) as any risk that could result in losses caused by human error; inadequate or flawed internal processes; undue conduct with respect to customers, markets or the institution; failures, interruptions or flaws in systems or communications; inadequate data management; legal risk; and finally, as a result of external events, including cyberattacks, third-party fraud, disasters and defective service provided by suppliers.

Operational risk management is oriented towards the identification of the root causes to avoid their occurrence and mitigate possible consequences. This is carried out through the establishment of mitigation plans and control frameworks aimed at minimizing resulting losses and their impact on the recurrent generation of income and the profit of the Group. Operational risk management is integrated into the global risk management structure of the BBVA Group.

This section addresses general aspects of operational risk management as the main component of non-financial risks. However, sections devoted to conduct and compliance risk and to cybersecurity risk management are also included in the non-financial information report.

Operational Risk Management Principles

The BBVA Group is committed to preferably applying advanced operational risk management models, regardless of the capital calculation regulatory model applicable at the time. Operational risk management at the BBVA Group shall:

- Be aligned with the Risk Appetite Framework ratified by the BBVA Board of Directors.
- Address BBVA's management needs in terms of compliance with legislation, regulations and industry standards, as well as the decisions or positioning of BBVA's corporate bodies.
- Anticipate the potential operational risk to which the Group may be exposed as a result of the creation or modification of products, activities, processes or systems, as well as decisions regarding the outsourcing or

hiring of services, and establish mechanisms to assess and mitigate risk to a reasonable extent prior to implementation, as well as review the same on a regular basis.

- Establish methodologies and procedures to enable regular reassessment of the significant operational risk 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 safeguarding the Group's solvency at all times.
- Promote the implementation of mechanisms that support careful monitoring of all sources of operational risk and the effectiveness of mitigation and control environments, fostering proactive risk management.
- Examine the causes of any operational events suffered by the Group and establish means to prevent the same, provided that the cost/benefit analysis so recommends. To this end, procedures must be in place to evaluate operational events and mechanisms and to record the operational losses that may be caused by the same.
- Evaluate key public events that have generated operational risk losses at other institutions in the financial sector and support, where appropriate, the implementation of measures as required to prevent them from occurring at the Group.
- Identify, analyze and attempt to quantify events with a low probability of occurrence and a high impact, which by their exceptional nature may not be included in the loss database; or if they are, feature with impacts that are not very representative for the purpose of valuing possible mitigation measures.
- Have an effective system of governance in place, where the functions and responsibilities of the corporate areas and bodies involved in operational risk management are clearly defined.
- Operational risk management must be performed in coordination with management of other risk, taking into consideration credit or market events that may have an operational origin.

Operational risk control and management model

The operational risk management cycle at BBVA is similar to the one implemented for the rest of risks. Its elements are:

Operational risk management parameters

Operational risk forms part of the risk appetite framework of the Group and includes three types of metrics and limits:

- Economic capital calculated with the operational losses database of the Group and the industry, considering the corresponding diversification effects and the additional estimation of potential and emerging risks through stress scenarios designed for the main types of risks. The economic capital is regularly calculated for the main banks of the Group and simulation capabilities are available to anticipate the impact of changes on the risk profile or new potential events.
- ORI metrics (Operational Risk Indicator: operational risk losses vs. gross income) broken down by geography, business area and type of risk.
- Additionally, a more granular common scheme of metrics (indicators and limits) covering the main types of operational risk is being implemented throughout the Group. These metrics will make it possible to intensify the anticipatory management of risk and objectify the appetite to different sources.

Operational risk admission

The main purposes of the operational risk admission phase are the following:

- To anticipate potential operational risk to which the Group may be exposed due to the release of new, or modification of existing, products, activities, processes or systems, as well as purchasing decisions (e.g. outsourcing).
- To ensure that implementation is only performed once appropriate mitigation measures have been taken in each case, including risk assurance where deemed appropriate.

The Corporate Non-Financial Risk Management Policy sets out the specific operational risk admission framework through different committees, at a corporate and Business Area level, that follow a delegation structure based on the risk level of proposed initiatives.

Operational risk monitoring

The purpose of this phase is to check that the target operational risk profile of the Group is within the authorized limits. Operational risk monitoring considers 2 scopes:

- Monitoring the operational risk admission process, oriented towards checking that accepted risks levels are within the limits and that defined controls are effective.
- Monitoring the operational risk "stock" associated with processes. This is done by carrying out a periodic re-evaluation in order to generate and maintain an updated map of the relevant operational risks in each Area, and evaluate the adequacy of the monitoring and mitigation environment for said risks. This promotes the implementation of action plans to redirect the weaknesses detected.

This process is supported by a corporate Governance, Risk & Compliance tool that monitors OR at a local level and its aggregation at a corporate level.

In addition, and in line with the best practices and recommendations provided by the BIS, BBVA has procedures to collect the operational losses occurred in the different entities of the Group and in other financial groups, with the appropriate level of detail to carry out an effective analysis that provides useful information for management purposes and to contrast the consistency of the Group's operational risk map. To that end, a corporate tool of the Group is used.

The Group ensures continuous monitoring by each Area of the due functioning and effectiveness of the control environment, taking into consideration management indicators established for the Area, any events and losses that have occurred, as well as the results of actions taken by the second line of defense, the internal audit unit, supervisors or external auditors.

Operational risk mitigation

Several cross-sectional plans are being promoted in recent years for the entire BBVA Group to encourage a forward-looking management of operational risks. To that end, focuses have been identified from events, self-assessments and recommendations from auditors and supervisors in different geographies, both in the Group and the industry, thereby analyzing the best practices and fostering comprehensive action plans to strengthen and standardize the control environment.

One of the core plans is outsourcing management, which is an increasingly important subject in the Group, the industry and the regulatory environment. Some of the different initiatives launched under this scheme are summarized below:

- Strengthening the admission process of these initiatives and their control and monitoring frameworks.
- New internal regulation comprising the best practices of the industry.
- Integration in the 3 lines of defense control model: roles and responsibilities in each phase of its life cycle.
- Risk management of the service and the supplier.
- Review of its governance process, which is included in operational risk governance, and escalation criteria.
- Adaptation of the model and the management tool to the new requirements, including those coming from the new EBA guidelines, in force since September 30, 2019.

This plan will still be in place throughout 2020 with a focus on aligning our stock of arrangements with the new standards introduced by the EBA guidelines.

Insurance of Operational Risk

Insurance is one of the possible options for managing the operational risk to which the Group is exposed, and mainly has two potential purposes:

- Coverage of extreme situations linked to recurrent events that are difficult to mitigate or can only be partially mitigated by other means.
- Coverage of nonrecurrent events that could have significant financial impact, if they occurred.

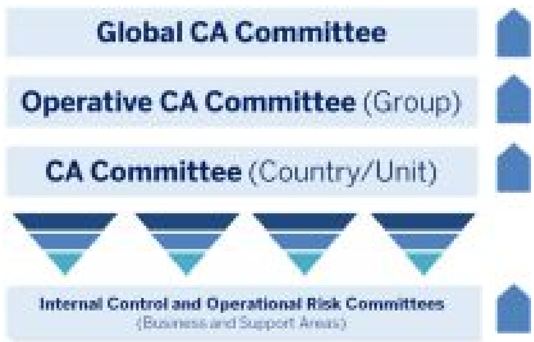
The Group has a general framework that regulates this area, and allows systematizing risk assurance decisions, aligning insurance coverage with the risks to which the Group is exposed and reinforcing governance in the decision-making process of arranging insurance policies.

Operational Risk Control Model

BBVA Group's operational risk governance model is based on two components:

- Three-line defense control model, in line with industry best practices, and which guarantees compliance with the most advanced operational risk internal control standards.
- Scheme of Corporate Assurance Committees and Internal Control and Operational Risk Committees at the level of the different business and support areas.

Corporate Assurance establishes a structure of committees, both local and corporate, to provide senior management with a comprehensive and homogeneous vision of these significant situations. The aim is to support rapid decision-making with foresight, for the mitigation or assumption of the main risks.



Each geography has a Corporate Assurance Committee chaired by the Country Manager and whose main functions are:

- Monitoring the changes in the non-financial risks and their alignment with the defined strategies and policies and the risk appetite.
- Analyzing and assessing controls and measures established to mitigate the impact of the risks identified, should they materialize.
- Making decisions about the proposals for risk taking that are conveyed by the working groups or that arise in the Committee itself
- Promoting transparency by promoting the proactive participation of the three lines of defense in discharging their responsibilities and the rest of the organization in this area

At the holding company level there is a Global Corporate Assurance Committee, chaired by the Group's Chief Executive Officer. Its main functions are similar to those already described but applicable to the most important issues that are escalated from the geographies and the holding company areas.

The business and support areas have an Internal Control and Operational Risk Committee, the purpose of which is to ensure the due implementation of the operational risk management model within its scope of action and drive active management of such risk, taking mitigation decisions when control weaknesses are identified and monitoring the same.

Additionally, the Non-Financial Risk unit periodically reports the status of the management of non-financial risks in the Group to the Board's Risk and Compliance Committee.

Risk factors

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

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

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

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

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

Macroeconomic and geopolitical risks

Global growth decelerated in 2019 to growth rates slightly below 3% in annual terms in the second half of the year, below the 3.6% of 2018. Increased trade protectionism and geopolitical risks had a negative impact on economic activity, mainly on exports and investment, additionally to the structural slowdown in the Chinese economy and the cyclical moderation of the US and Eurozone economies. However, the counter-cyclical policies announced in 2019, led by central banks, along with the recent reduction in trade tensions between the United States and China and the disappearance of the risk of a disorderly Brexit in the short term, are leading to some stabilization of global growth, based on the relatively strong performance of private consumption supported by the relative strength of labor markets and low inflation. Thus, global growth forecasts stand around 3.2% for both 2019 and 2020.

In terms of **monetary policy**, the major central banks took more loosening measures last year. In the United States, the Federal Reserve reduced interest rates between July and October by 75 basis points to 1.75%. In the Eurozone, the European Central Bank (ECB) announced in September a package of monetary measures to support the economy and the financial system, including: (i) a deposit facility interest rate reduction of ten basis points, leaving them at -0.50%, (ii) the adoption of a phased interest rate system for the previously mentioned deposit facility, (iii) a new debt purchase program of €20 billion per month, and (iv) an improvement in financing conditions for banks in the ECB's liquidity auctions. The latest signs of growth stabilization contributed to the decision of both monetary authorities to keep interest rates unchanged in recent months, although additional stimulus measures are not ruled out in the event of a further deterioration of the economic environment. In China, in addition to fiscal stimulus decisions and exchange rate depreciation, a cut in reserve requirements for banks was recently announced and base rates have been reduced. Accordingly, **interest rates** will remain low in major economies, enabling emerging countries to gain room for maneuver.

Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.

The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, internal control Model, the Code of Conduct, tax strategy and Responsible Business Strategy of the Group.

For more information regarding the model of work risk prevention, the compliance system, the management of the tax risk as well as social and environmental risks, see sections " Work environment", "Ethical behavior", "Fiscal transparency" "Sustainable Finance", respectively, within the Non-financial statement.

IBOR reform

Regarding the regulatory risks, the global interest rates benchmark reform is a key area of focus for BBVA. Interbank interest rates (IBORs) are key references that underpin many contracts within the financial sector worldwide. Following the 2014 recommendations from the Financial Stability Board (FSB), authorities in various countries are promoting initiatives that enable the financial system to reduce its reliance on IBORs and make a transition to risk-free alternative interest rates (RFR) by the end of 2021. These RFRs have been designed to overcome the difficulties related to the IBOR rates, in particular to minimize reliance on expert judgment and ensure greater transparency and understanding during its definition process. Transitions could occur from the rate that was historically used as a reference to the new RFR (e.g. the transition from EONIA to €STR in Europe, or the transition from the LIBOR dollar to SOFR in the United States) or by evolving the existing index methodology, in both cases overnight (e.g. SONIA for the GBP market) or term (e.g. EURIBOR).

The BBVA Group has a significant number of financial assets and liabilities whose contracts refer to IBOR rates. EURIBOR is identified as the most relevant reference rate in the Group, and is used, among others, for loans, deposits and debt issues as well as underlying in derivative instruments. In the case of EONIA, it has a minor presence in the banking book but it is used as the underlying rate in derivative instruments in the trading book and for the treatment of collaterals, mainly in Spain. In the case of LIBORs, the USD is the most relevant currency for both loans and debt instruments for the banking book and trading book. Other LIBOR currencies (CHF, GBP and JPY) have a minor presence.

The IBOR transition has been identified as a complex initiative, affecting BBVA in different geographical areas and business lines, as well as in a multitude of products, systems and processes. For this reason, BBVA has established a transition project with a robust governance structure. The Executive Steering Committee is represented by the senior management of the affected areas and reports directly to the Group's Global Leadership Team. At local level, each geographical area has established a local governance structure with the participation of the senior management. Coordination between geographical areas is ensured through the Project Management Office (PMO) and the Global Working Groups that have a multi-geographic and cross-sectional vision of the Legal, Risk, Regulatory, Finance and Accounting, Engineering and Communication areas. The project has also been raised in the Corporate Assurance committees of the geographical areas and businesses as well as in the Group's Global Corporate Assurance committee.

The project considers the different approaches and timings for transition to the new RFRs when assessing the economic, operational, legal, financial, reputational and compliance risks associated with the transition, as well as defining the lines of action to mitigate them. One important aspect is the impact on financial instruments contracts that refer to the IBOR rates and that expire after 2021. In the case of the EONIA, BBVA will take measures to novate contracts that expire after 2021. The Group already has new clauses that include the €STR as a substitute index as well as clauses that include the €STR as the main index in new contracts. In the derivatives area (the main use of the EONIA) the actions are leveraged in the work of ISDA. In the case of LIBOR, uncertainty regarding its future requires identifying the contracts that expire after 2022 in order to prepare for potential contractual novations. At the same time, the clauses that industry associations suggest as alternatives or substitutes for LIBOR are being analyzed so that they can be included in the contracts. With regard to the EURIBOR, the European authorities have supported the index's continuation and the evolution of its methodology so that it complies with the European Benchmarks Regulation. The authorities have also said that the new methodology continues to measure the same economic reality. BBVA is actively involved in various working groups such as the EURO RFR WG, which actively works to define fallback provisions in contracts, amongst other things.

BBVA will make every reasonable effort to treat its customers in a fair and transparent manner and to safeguard their interests during the transition to the new benchmarks. BBVA also remains committed to market participants, authorities and our customers to back an orderly transition and mitigate the risks that result from it.

Business, operational and legal risks

New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation...) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels...). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.

Technological risks and security breaches: The Group is exposed to new threats such as cyberattacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control.

For more information regarding the customer protection, see section "Customer care" within the Non-financial information report.

The financial sector is exposed to increasing litigation, so the financial institutions face a large number of proceedings of every kind, civil, criminal, administrative, litigation, as well as investigations from the supervisor or other governmental authorities, along several jurisdictions, which consequences are difficult to determine (including those procedures in which an undetermined number of applicants is involved, in which damages claimed are not easy to estimate, in which an exorbitant amount is claimed, in which new jurisdictional issues are introduced under creative non – contrasted legal arguments and those which are at a very initial stage).

In Spain, in many of the existing procedures, applicants' claim, both at Spanish courts and through preliminary rulings towards the European Union Court of Justice that various clauses usually included under a mortgage loan with credit institutions are stated abusive (including mortgage fees clauses, early redemption right clause, referenced interest rate type and opening fee). In particular, with regards to consumer mortgage loan agreements linked to the mortgage loan reference index (Índice de Referencia de los Préstamos Hipotecarios — mortgage loan reference index) (IRPH), which is the average interest rate calculated by the Bank of Spain and published in the Official Spanish Gazette (Boletín Oficial del Estado) for mortgage loans of more than three years for freehold housing purchases granted by Spanish credit institutions and which is considered the "official interest rate" by mortgage transparency regulations, on 14th December, 2017 the Spanish Supreme Court, in its Ruling No 669/2017 (the Ruling), held that it was not possible to determine that a loan's interest rate was not transparent simply due to it making reference to one official rate or another, nor can its terms then be confirmed as unfair under the provisions of Directive 93/13/EEC of 5th April, 1993. As of the date of this Annual

Report, a preliminary ruling is pending in which the Ruling is being challenged before the Court of Justice of the European Union. BBVA considers that the Ruling is clear and well founded.

On September 10, 2019, the Advocate General of the Court of Justice of the European Union issued a report on this matter.

In that report, the Advocate General of the Court of Justice of the European Union concluded that the bank to which the preliminary ruling relates (Bankia, S.A.) complied with the requirement of transparency imposed by the applicable European regulation. The Advocate General also indicated that it is for the national courts to carry out the checks they consider necessary in order to analyze compliance with the applicable transparency obligations in each individual case.

The Advocate General's report does not bind the decision which the Court of Justice of the European Union may take finally on this matter in the future.

It is therefore necessary to await the Court of Justice of the European Union’s ruling on the matter referred in the preliminary ruling in order to determine whether it may have any effect on BBVA.

The impact of any potential unfavorable ruling by the Court of Justice of the European Union is difficult to predict at this time, but could be material. The impact of such a resolution may vary depending on matters such as (i) the decision of the Court of Justice of the European Union on what interest rate should be applied to the applicable loans; and (ii) whether the effects of the judgment are applied retroactively. According to the latest available information, the amount of mortgage loans to individuals linked to IRPH and up to date with the payment is approximately €2,800m.

In addition, there are also claims before the Spanish courts challenging the application of certain interest rates and other mandatory rules to certain revolving credit card agreements. The resolutions in this type of proceedings against the Group or other banking entities may directly or indirectly affect the Group.

The Group is involved in several competition investigations and other legal actions related to competition initiated by third parties in various countries which may give raise to penalties and claims by third parties.

As mentioned in the section “Other non-financial risks” of the Non-financial information report of this Management report, Central Investigating Court No. 6 of the National High Court is investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt) in the Preliminary Proceeding No. 96/2017. Piece No. 9 of this proceeding includes the provision of services to the Bank. It is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group’s reputation caused thereby.

The Group regularly promotes internal investigations into possible violations of its code of conduct or applicable regulations, including corruption and sanctions, and such investigations could be time-consuming and costly. In addition, the Group constantly manages and monitors investigations, proceedings and legal or regulatory actions brought by third parties, making provisions for their coverage where necessary (based on the number of disputes and the status of the proceedings or actions). However, the outcome of investigations, legal or regulatory proceedings or actions, to which the Bank is already a party, as well as those which may arise in the future or to which other credit entities are a party, is difficult to predict and, accordingly, in the event of changes in legal criteria or adverse outcomes of some of these, the provisions recorded may be insufficient and may have a material adverse effect on the Group's business, financial position and result of operations.

Subsequent events

On January 31, 2020 it was announced that it was foreseen to submit to the consideration of the corresponding government bodies the proposal of cash payment in a gross amount of €0.16 per share to be paid in April 2020 as final dividend for 2019 (see Note 4 of the accompanying Consolidated Financial Statements).

From January 1, 2020 to the date of preparation of these consolidated financial statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some **Alternative Performance Measures** (APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (**ESMA**) guidelines, published on October 5, 2015 (ESMA/2015/1415en). These guidelines are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information in order to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

- Include clear and readable definitions of the APMs (paragraphs 21-25).
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items (paragraphs 26-32).
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuers (paragraphs 33-34).
- Do not have greater preponderance than measures directly stemming from financial statements (paragraphs 35-36).
- Are accompanied by comparatives for previous periods (paragraphs 37-40).
- Are consistent over time (paragraphs 41-44).

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency of the countries where the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Adjusted profit/(loss) for the year

Explanation of the formula: The adjusted profit/(loss) for the year is the profit/(loss) for the year from the Group's consolidated income statement, excluding those extraordinary items that, from a management point of view are defined at any given moment.

Relevance of its use: This measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Adjusted profit/(loss) for the year

Millions of euros		2019	2018	2017
+	Profit/(loss) for the year	4,345	6,227	4,757
-	Goodwill impairment in the United States	(1,318)		
-	Profit of BBVA Chile		93	
-	Net capital gains from the sale of BBVA Chile		633	
-	Telefónica impairment			(1,123)
=	**Adjusted profit/(loss) for the year**	**5,663**	**5,501**	**5,880**

Adjusted net attributable profit

Explanation of the formula: The adjusted net attributable profit is the net attributable profit from the Group's consolidated income statement, excluding those extraordinary items that, from a management point of view are defined at any given moment.

Relevance of its use: This measure is commonly used, not only in the banking sector, for comparison purposes.

Adjusted net attributable profit

Millions of euros		2019	2018	2017
+	Net attributable profit	3,512	5,400	3,514
-	Goodwill impairment in the United States	(1,318)		
-	Net attributable profit of BBVA Chile		64	
-	Net capital gains from the sale of BBVA Chile		633	
-	Telefónica impairment			(1,123)
=	**Adjusted net attributable profit**	**4,830**	**4,703**	**4,637**

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for both ''shareholders' funds'' and ''accumulated other comprehensive income'' are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share

			IFRS 9		IAS 39
			31-12-19	**31-12-18**	**31-12-17**
Numerator (millions of euros)	+	Shareholders' funds	55,958	54,326	53,283
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(7,235)	(7,215)	(6,939)
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	13	47	13
	=	**Book value per share (euros / share)**	**7.32**	**7.12**	**6.96**

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for ''shareholders' funds'', ''accumulated other comprehensive income'' and ''intangible assets'' are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share			IFRS 9		IAS 39
			31-12-19	31-12-18	31-12-17
Numerator (millions of euros)	+	Shareholders' funds	55,958	54,326	53,283
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(7,235)	(7,215)	(6,939)
	-	Intangible assets	6,966	8,314	8,464
Denominator (millions of euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	13	47	13
	=	**Tangible book value per share (euros / share)**	**6.27**	**5.86**	**5.69**

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: The remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: This ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield				
		31-12-19	31-12-18	31-12-17
Numerator (euros)	∑ Dividends	0.26	0.25	0.30
Denominator (euros)	Closing price	4.98	4.64	7.11
=	**Dividend yield**	**5.2%**	**5.4%**	**4.2%**

Adjusted earning per share

The adjusted earning per share takes the earning per share calculated in accordance to the criteria stablished in the IAS 33 “Earnings Per Share” and takes into account the same adjustments made in the net attributable profit to calculate the adjusted net attributable profit, previously defined in this alternative performance measures.

Non-performing loan (NPL) ratio

This is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance for customers and contingent risks. It is calculated as follows:

$$\frac{\text{Non} - \text{performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: ''Non-performing loans'' include those related to loans and advances to customers (gross) and those related to contingent risk, excluding the non-performing loans of credit institutions and securities. ''Total credit risk'' includes both pending and contingent risk. Their calculation is based on the headings in the first table of ”Credit risk” within the “Risk management” section of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio		31-12-19	31-12-18	31-12-17
Numerator (millions of euros)	NPLs	16,730	17,087	20,492
Denominator (millions of euros)	Credit Risk	441,964	433,799	450,045
=	Non-Performing Loans (NPLs) ratio	3.8%	3.9%	4.6%

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions. It is calculated as follows:

$$\frac{\text{Provisions}}{\text{Non}-\text{performing loans}}$$

Explanation of the formula: ''Non-performing loans'' include those related to lending activity and those related to contingent risk, excluding non-performing loans from credit institutions and securities. ''Provisions'' are allowances, for both loans and advances to customer and contingent risk. Their calculation is based on the headings in the first table of "Credit Risk" within the "Risk management" section of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

NPL coverage ratio		31-12-19	31-12-18	31-12-17
Numerator (millions of euros)	Provisions	12,817	12,493	13,319
Denominator (millions of euros)	NPLs	16,730	17,087	20,492
=	NPL coverage ratio	77%	73%	65%

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions, included in the "impairment on financial assets not measured at fair value through profit or loss" line) of each unit of loans and advances to customers (gross). It is calculated as follows:

$$\frac{\text{Annualized loan}-\text{loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: ''Annualized loan-loss provisions'' are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis, to standardize the comparison between different periods. For example, loan-loss provisions for six months (180 days) are divided by 180 to obtain daily loan-loss provisions and multiplied by 365 to obtain the annualized figure. This calculation uses the calendar days of the period under consideration.

''Loans and advances to customers (gross)'' refers to the portfolio of financial assets at amortized cost of the Group's consolidated balance sheet. The average of loans and advances to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk				
		31-12-19	31-12-18	31-12-17
Numerator (millions of euros)	Annualized loan-loss provisions	4,061	3,964	3,674
Denominator (millions of euros)	Average loans and advances to customers (gross)	390,494	392,037	414,448
=	Cost of risk	1.04%	1.01%	0.89%

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Both ''operating expenses'' and ''gross income'' are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the graphs on "Results" section of this report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: This ratio is generally used in the banking sector.

Efficiency ratio				
		2019	2018	2017
Numerator (millions of euros)	Operating expenses	(11,902)	(11,702)	(12,500)
Denominator (millions of euros)	Gross income	24,542	23,747	25,270
=	Efficiency ratio	48.5%	49.3%	49.5%

ROE

The ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: ''Annualized net attributable profit'' is taken directly from the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized, and then added to the metric once it has been annualized.

''Average shareholders' funds'' are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

''Average accumulated other comprehensive income'' is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

ROE			IFRS 9		IAS 39
			2019	2018	2017
Numerator (millions of euros)		Annualized net attributable profit	3,512	5,400	3,514
Denominator (millions of euros)	+	Average shareholder's funds	55,699	52,877	52,801
	+	Average accumulated other comprehensive income	(6,732)	(6,743)	(5,167)
	=	ROE	7.2%	11.7%	7.4%

Adjusted ROE

The adjusted ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Annualized adjusted net attributable profit}}{\text{Average shareholders}'\text{funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: The numerator is the adjusted net attributable profit previously defined in this alternative performance measures.

''Average shareholders' funds'' are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

''Average accumulated other comprehensive income'' is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Adjusted ROE			NIIF 9		NIC 39
			2019	2018	2017
Numerator (millions of euros)		Adjusted net attributable profit	4,830	4,703	4,637
Denominator (millions of euros)	+	Average shareholder's funds	55,699	52,877	52,801
	+	Average accumulated other comprehensive income	(6,732)	(6,743)	(5,167)
	=	Adjusted ROE	9.9%	10.2%	9.7%

ROTE

The ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders}'\text{funds} + \text{ Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: The numerator (annualized net attributable profit) and the items in the denominator ''average intangible assets'' and ''average accumulated other comprehensive income'' are the same items and are calculated in the same way as explained for ROE.

''Average intangible assets'' are the intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

ROTE					
			IFRS 9		IAS 39
			2019	2018	2017
Numerator (millions of euros)		Annualized net attributable profit	3,512	5,400	3,514
Denominator (millions of euros)	+	Average shareholder's funds	55,699	52,877	52,801
	+	Average accumulated other comprehensive income	(6,732)	(6,743)	(5,167)
	-	Average intangible assets	8,303	8,296	9,073
	=	ROTE	8.6%	14.3%	9.1%

Adjusted ROTE

The Adjusted ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted net attributable profit}}{\text{Average shareholders}'\text{funds} + \text{ Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: The numerator (annualized adjusted net attributable profit) and the items in the denominator ''average intangible assets'' and ''average accumulated other comprehensive income'' are the same items and are calculated in the same way as explained for the adjusted ROE.

''Average intangible assets'' are the intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

Adjusted ROTE					
			NIIF 9		NIC 39
			2019	2018	2017
Numerator (millons of euros)		Adjusted net attributable profit	4,830	4,703	4,637
Denominator (millons of euros)	+	Average shareholder's funds	55,699	52,877	52,801
	+	Average accumulated other comprehensive income	(6,732)	(6,743)	(5,167)
	-	Average intangible assets	8,303	8,296	9,073
	=	Adjusted ROTE	11.9%	12.4%	12.0%

ROA

The ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized profit for the year}}{\text{Average total assets}}$$

Explanation of the formula: ''Annualized profit for the year'' is taken directly from the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized and then added to the metric once it has been annualized.

''Average total assets'' are the moving weighted average of the total assets of the Group's consolidated balance sheet at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA				
		IFRS 9		IAS 39
		2019	2018	2017
Numerator (millions of euros)	Annualized profit for the year	4,345	6,227	4,757
Denominator (millions of euros)	Average total assets	693,750	678,905	702,511
=	ROA	0.63%	0.92%	0.68%

Adjusted ROA

The adjusted ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted profit for the year}}{\text{Average total assets}}$$

Explanation of the formula: The numerator is the annualized adjusted profit/(loss) for the year previously defined in this alternative performance measures.

''Average total assets'' are the moving weighted average of the total assets of the Group's consolidated balance sheet at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted ROA				
		NIIF 9		NIC 39
		2019	2018	2017
Numerator (millions of euros)	Adjusted profit/(loss) for the year	5,663	5,501	5,880
Denominator (millons of euros)	Average total assets	693,750	678,905	702,511
=	Adjusted ROA	0.82%	0.81%	0.84%

RORWA

The RORWA (return on risk-weighted assets) ratio measures the accounting return obtained on average risk-weighted assets. It is calculated as follows:

$$\frac{\text{Annualized profit for the year}}{\text{Average risk} - \text{weighted assets}}$$

Explanation of the formula: ''Annualized profit for the year'' is the same figure as explained for ROA.

''Average risk-weighted assets''(RWA) is the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA		IFRS 9		IAS 39
		2019	2018	2017
Numerator (millions of euros)	Annualized profit for the year	4,345	6,227	4,757
Denominator (millions of euros)	Average RWA	361,354	353,199	375,589
	= RORWA	1.20%	1.76%	1.27%

Adjusted RORWA

The adjusted RORWA (return on risk-weighted assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted profit for the year}}{\text{Average risk} - \text{weighted assetsrage total assets}}$$

Explanation of the formula: The numerator is the annualized adjusted profit/(loss) for the year previously defined in this alternative performance measures.

''Average risk-weighted assets''(RWA) is the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted RORWA		NIIF 9		NIC 39
		2019	2018	2017
Numerator (millions of euros)	Adjusted profit/(loss) for the year	5,663	5,501	5,880
Denominator (millons of euros)	Average RWA	361,354	353,199	375,589
	= Adjusted RORWA	1.57%	1.56%	1.57%

Other customer funds

This includes off-balance sheet funds, these are, mutual funds, pension funds and other off-balance sheet funds.

Explanation of the formula: It is the period-end sum on a given date of the mutual funds, pension funds and other off-balance sheet funds; as displayed in the table on "Balance sheet and business activity" section of this report.

Relevance of its use: This metric is generally used in the banking sector, as apart from on-balance sheet funds, financial institutions manage other types of customer funds, such as mutual funds, pension funds and other off-balance sheet funds.

Other customer funds Millions of euros		31-12-19	31-12-18	31-12-17
+	Mutual funds	68,639	61,393	59,644
+	Pension Funds	36,630	33,807	33,985
+	Other off-balance sheet funds	2,534	2,949	3,081
=	Other customer funds	107,803	98,150	96,710

Annual Corporate Governance Report

In accordance with the provisions established by Article 540 of the Spanish Corporate Act, the BBVA Group prepared the Annual Corporate Governance Report for 2019 (which is an integral part of the Management Report for that year) following the content guidelines set down in Order ECC/461/2013, dated March 20, and in Circular 5/2013, dated June 12, of Comisión Nacional del Mercado de Valores (CNMV), in the wording provided by Circular 2/2018, dated June 12, of CNMV. It is also included a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain. In addition, all the information required by Article 539 of the Spanish Corporate Act can be accessed on BBVA's website www.bbva.com.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE 31/12/2019

Tax Identification No.
[C.I.F.] A48265169

Company Name: Banco Bilbao Vizcaya Argentaria, S.A.

Registered Office: 4 Plaza de San Nicolás, 48005 Bilbao (Biscay)

A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
24/04/2017	EUR 3,267,264,424.20	6,667,886,580	6,667,886,580

Indicate if there are different share classes with different rights associated with them:

NO

A.2 Detail the direct and indirect holders of significant shareholdings in your company at financial year-end, excluding directors:

Name or corporate name of the shareholder	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
Blackrock, Inc.		5.48%	0.44%		5.92%

Details of indirect participation:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights

Remarks
State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd., as international custodian/depositary banks, hold, as of 31 December 2019, 11.68%, 2.03% and 6.64% of BBVA's share capital, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of the BBVA share capital. Communication of significant shareholdings to the CNMV (Spanish National Securities Market Commission): On 18 April 2019, Blackrock, Inc. informed the CNMV that it had an indirect holding of 5.917% of BBVA's share capital, through the company Blackrock, Inc.

Indicate the most significant changes in the shareholder structure during the financial year:

Name or corporate name of the shareholder	Date of transaction	Description of transaction

A.3 Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

Name or corporate name of the director	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Carlos Torres Vila	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Onur Genç	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tomás Alfaro Drake	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Miguel Andrés Torrecillas	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jaime Félix Caruana Lacorte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Belén Garijo López	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Manuel González-Páramo Martínez-Murillo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sunir Kumar Kapoor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carlos Loring Martínez de Irujo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lourdes Máiz Carro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Maldonado Ramos	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ana Cristina Peralta Moreno	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Juan Pi Llorens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Susana Rodríguez Vidarte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jan Paul Marie Francis Verplancke	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights held by the Board of Directors	**0.02%**

Details of indirect participation:

Name or corporate name of the director	Name or corporate name of direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights	% of voting rights that can be transferred through financial instruments

A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities, except those described in section A.6:

Name of related person or company	Type of relationship	Brief description

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Name of related person or company	Type of relationship	Brief description

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders or who were linked to significant shareholders and/or their group companies, and specify the nature of the relationships. In particular, indicate, where applicable, the existence, identity and position of board members—or their representatives—of the listed company who are members—or representatives of members—of the management body of companies that hold significant shareholdings in the listed company or of companies of said significant shareholders' groups.

Name or corporate name of linked director or representative	Name or corporate name of linked holder of significant shareholdings	Name of the company of the significant shareholder's group	Description of relationship/ position

A.7 Indicate whether the company has been informed of any shareholder agreements that may affect it, as set out under Articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

NO

Indicate whether the company is aware of the existence of concerted actions by its shareholders. If so, describe them briefly:

NO

If there has been any amendment or breaking-off of said pacts or agreements or concerted actions in the financial year, indicate this expressly:

A.8 Indicate whether any legal or natural person exercises or may exercise control over the company pursuant to Article 5 of the Securities Exchange Act. If so, identify them:

NO

A.9 Fill in the following tables regarding the company's treasury shares:

At financial year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
0	12,617,189	0.19%

(*) Through:

Name or corporate name of direct holder of shareholding	Number of direct shares
Corporación General Financiera, S.A.	12,617,189
Total:	**12,617,189**

Give details of any significant changes that have occurred during the financial year:

Explain the significant changes
In 2019, four communications regarding treasury shares were sent, as the acquisitions had exceeded the 1% threshold. The communications were as follows: • Communication date: 16/01/2019. A total of 5,465,501 direct shares and 44,085,788 indirect shares were kept as treasury shares, representing a total of 0.743% of the share capital. This communication was made after acquisitions exceeded the 1% threshold. • Communication date: 27/03/2019. A total of 5,767,796 direct shares and 23,568,447 indirect shares were kept as treasury shares, representing a total of 0.440% of the share capital. This communication was made after acquisitions exceeded the 1% threshold. • Communication date: 28/06/2019. A total of 2,056,497 direct shares and 15,633,396 indirect shares were kept as treasury shares, representing a total of 0.265% of the share capital. This communication was made after acquisitions exceeded the 1% threshold. • Communication date: 25/09/2019. A total of 534,400 direct shares and 15,616,967 indirect shares were kept as treasury shares, representing a total of 0.242% of the share capital. This communication was made after acquisitions exceeded the 1% threshold.

A.10 Describe the conditions and term of the current mandate of the General Meeting for the Board of Directors to issue, buy back and transfer treasury shares.

- BBVA's Annual General Shareholders' Meeting held on 17 March 2017, under item three of the agenda, passed a resolution to delegate to the Board of Directors the power to increase share capital for a period of five years up to a maximum amount corresponding to 50% of BBVA's share capital on the date of such authorisation. This can be done on one or several occasions, to the amount that the Board resolves, by issuing new shares of any kind allowed by law, with or without an issue premium, the counter-value of said shares comprising cash considerations. The authorisation includes the setting out of the terms and conditions of the share capital increase in any respect not provided for in the resolution, and delegation to the Board of a power to wholly or partly exclude pre-emptive subscription rights in relation to any share capital increase carried out by virtue of the resolution when so demanded by the corporate interest and in compliance with the applicable legal requirements. However, this power was limited insofar as the nominal amount of the capital increases resolved upon or actually carried out with an exclusion of the pre-emptive subscription right by virtue of the above delegation or resolved upon or executed to accommodate the conversion of ordinarily convertible issues that are also carried out with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to issue convertible securities granted by the General Shareholders' Meeting, under item five of the agenda, may not exceed the maximum nominal amount, as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

To date, BBVA has not adopted any resolution using this delegated power.

- BBVA's Annual General Shareholders' Meeting held on 17 March 2017, under the fifth item on the agenda, delegated to the Board of Directors the power to issue securities that are convertible into newly issued BBVA shares, on one or more occasions within a maximum term of five years, up to a total combined maximum amount of EUR 8,000,000,000 or its equivalent in any other currency; the Board may likewise resolve upon, set and determine each and every one of the terms and conditions of the issues carried out by virtue of that delegated power, determine the basis and mode of conversion, and resolve upon, set and determine the conversion ratio, which may be fixed or variable. Moreover, the General Meeting resolved to delegate to the Board the power to totally or partially exclude pre-emptive subscription rights over any issue of convertible securities that may be made hereunder, when the corporate interest so requires, in compliance with any legal requirements established to this end. However, this power was limited in so far as the normal amount of the capital increases resolved upon or actually carried out to accommodate the conversion of ordinarily convertible issues executed by virtue of that delegated power with an exclusion of the pre-emptive subscription right, and those resolved upon or executed also with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to increase share capital granted by the General Meeting, under item four of the Agenda, may not exceed the maximum nominal amount, as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

  Through the aforementioned delegation, BBVA made five issuances of contingently convertible perpetual securities (Additional Tier 1 capital instruments), without pre-emptive subscription rights. In particular: two issuances were made in 2017, for amounts of EUR 500 million and USD 1 billion; one issuance were made in 2018, for an amount of EUR 1 billion; and two issuances were made in 2019, for amounts of EUR 1 billion and USD 1 billion.

- BBVA's Annual General Shareholders' Meeting held on 16 March 2018, under the third item of the agenda, resolved to grant BBVA the authority, whether directly or through any of its subsidiaries, and for a period of no more than five years, at any time and on as many occasions as it deems necessary, to derivatively acquire BBVA shares by any means permitted by law, including charging the acquisition to the profits for the financial year and/or to freely available reserves, as well as to later divest the acquired shares by any means permitted by law. The derivative acquisition of shares is to be carried out, in all cases, in accordance with the conditions established by the applicable legislation or by the competent authorities and, in particular, with the following conditions: (i) the nominal value of the treasury stock acquired, whether directly or indirectly, by means of this authorisation, when added to that already held by BBVA and its subsidiaries, may not exceed 10% of the subscribed share capital of BBVA or, where appropriate, the maximum amount permitted under the applicable legislation; and (ii) the acquisition price per share may not be lower than the nominal value of the share, and must be under 10% higher than the share price or any other price associated with the shares at the time that they are acquired. The aforementioned General Shareholders' Meeting also expressly authorised that the shares acquired by BBVA or any of its subsidiaries may, through the foregoing authorisation, be partially or totally set aside for workers or directors of BBVA or its subsidiaries, either directly or as a result of them exercising any option rights that they may hold.

A.11 Estimated floating capital:

	%
Estimated floating capital	93.87

Remarks
This estimated floating BBVA capital has been calculated by deducting, from the share capital, the capital held by the direct and indirect holders of significant shares (section A.2), the members of the Board of Directors (section A.3) and the capital held in treasury shares (section A.9), as of 31 December 2019, in accordance with the instructions to complete the Annual Corporate Governance Report.

A.12 Indicate whether there is any restriction (statutory, legislative or of any other kind) on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the takeover of the company through the purchase of its shares on the market, as well as any authorisation or prior communication regimes that are applicable to the purchase or transfer of the company's financial instruments in accordance with sector legislation.

NO

A.13 Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms under which the restrictions would be rendered effective:

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

YES

Where applicable, indicate the different share classes, and the rights and obligations that each share class confers.

Indicate the different share classes
All the shares in BBVA's share capital are of the same class and series, and confer the same political and economic rights. There are no different voting rights for any shareholder. There are no shares that do not represent capital. The Bank's shares are admitted to trade on the stock exchanges in Madrid, Barcelona, Bilbao and Valencia, through the Spanish Stock Exchange Interconnection System (Continuous Market), as well as on the stock exchanges in London and Mexico. BBVA's American Depositary shares (ADS) are traded on the New York stock exchange.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate, giving details where applicable, whether there are any deviations from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum for holding the General Meeting.

YES

	% required for quorum if different to that set out in art. 193 of the CEA for general circumstances	% required for quorum if different to that set out in art. 194 of the CEA for special circumstances
Quorum on first call	0.00%	66.66%
Quorum on second call	0.00%	60.00%

Description of the differences
Article 194 of the Corporate Enterprises Act establishes that in order for a General Meeting (whether ordinary or extraordinary) to validly resolve to increase or reduce capital or make any other amendment to the bylaws, bond issuance, the suppression or limitation of pre-emptive subscription rights over new shares, or the transformation, merger or spin-off of the company or global assignment of assets and liabilities or the offshoring of domicile, the shareholders present and represented on first calling must own at least 50% of the subscribed capital with voting rights. On second calling, 25% of said capital will be sufficient. Notwithstanding the foregoing, Article 25 of the BBVA Bylaws requires a super quorum of members representing two thirds of the subscribed capital with voting rights on first calling, and 60% of the subscribed capital on second calling, for the valid adoption of resolutions on the following matters: re-definition of the corporate purpose; the transformation, total spin-off or winding up of the Company; and the modification of the statutory article defining this super quorum.

B.2 Indicate, giving details where applicable, whether there are any deviations from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

NO

B.3 Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Shareholders' Meeting is empowered to amend the Company Bylaws and to confirm or rectify the manner in which they are interpreted by the Board of Directors.

To such end, the rules established under Articles 285 et seq. of the Corporate Enterprises Act shall apply.

The above paragraph notwithstanding, Article 25 of the BBVA Bylaws establishes that in order to validly adopt resolutions regarding any change to the corporate purpose, transformation, total spin-off or winding up of the Company and amendment of the second paragraph of said Article 25, two thirds of the subscribed capital with voting rights must attend the General Meeting on first calling, and 60% of said capital on second calling.

As regards the procedure for amending the Bylaws, Article 4.2 c) of Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, establishes that the Bank of Spain shall be responsible for authorising the amendments to the bylaws of credit institutions as set out by regulations.

Hence, Article 10 of Royal Decree 84/2015, of 13 February, implementing Act 10/2014, stipulates that the Bank of Spain shall make a decision within two months following receipt of the request for amendment of the Bylaws and that said request must be accompanied by certified minutes recording the agreement, a report substantiating the proposal drawn up by the board of directors and draft new bylaws, identifying the cited amendments.

Notwithstanding the foregoing, Article 10 of Royal Decree 84/2015 establishes that no prior authorisation from the Bank of Spain is required, though the latter must be notified for the purposes of entry in the Registro de Entidades de Crédito (Spanish register of credit institutions), for amendments with the following purposes:

- Change of the registered office within the national territory.

- Share capital increase.

- Verbatim incorporation into the bylaws of legal or regulatory precepts of a mandatory or prohibitive nature, or for the purpose of complying with legal or administrative decisions.

- Those amendments for which the Bank of Spain, in response to a prior enquiry made by the affected bank, deems that authorisation is not required due to their little relevance.

This communication must be made within 15 working days following the adoption of the by-laws amendment resolution.

Finally, as a significant entity, BBVA is under the direct supervision of the European Central Bank (ECB) in cooperation with the Bank of Spain under the Single Supervisory Mechanism, so the authorisation of the Bank of Spain mentioned above will be submitted to the European Central Bank, prior to its resolution by the Bank of Spain.

B.4 Give details of attendance at General Shareholders' Meetings held during the financial year of this report and the previous two financial years:

	Attendance data				
			% distance voting		
Date of General Meeting	**% physically present**	**% present by proxy**	**Electronic vote**	**Other**	**Total**
15/03/2019	1.77%	38.95%	0.92%	22.79%	64.43%
Of which is floating capital:	1.75%	33.03%	0.92%	22.79%	58.49%
16/03/2018	1.71%	40.47%	0.23%	22.13%	64.54%
Of which is floating capital:	1.62%	34.53%	0.23%	22.13%	58.51%
17/03/2017	1.89%	38.68%	0.19%	22.95%	63.71%
Of which is floating capital:	1.81%	33.07%	0.19%	22.95%	58.02%

B.5 Indicate whether there were any items on the agenda that were not approved by shareholders for any reason, for all meetings that took place in the financial year.

NO

B.6 Indicate if there is any statutory restriction that sets out a minimum number of shares required to attend the General Meeting or vote remotely:

YES

Number of shares required to attend the General Meeting	500
Number of shares required to vote remotely	1

Remarks
Article 23 of the BBVA Bylaws establishes that holders of 500 shares or more may attend ordinary and extraordinary General Shareholders' Meetings, provided that their shares are registered at least five days prior to such a meeting, in the corresponding accounting record, in accordance with the Securities Exchange Act and other applicable provisions. Holders of fewer shares may group together until they have at least that number, and name a representative. However, there is no minimum number of shares required to vote remotely. Pursuant to the provisions of Article 8 of BBVA's Regulations of the General Shareholders' Meeting, shareholders may vote by proxy, by post, electronically or by any other means of remote communication, provided that the voter's identity is duly guaranteed. In terms of the constitution of the General Shareholders' Meeting, shareholders who vote remotely will be counted as present.

B.7 Indicate whether it has been established that certain decisions, other than those set out by law, involving an acquisition, disposal, the allocation of essential assets to another company or a similar corporate transaction, must be submitted to the General Shareholders' Meeting for approval.

NO

B.8 Indicate the address and means of access through the company website to information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

Information on corporate governance and the Company's general meetings can be accessed via the Banco Bilbao Vizcaya Argentaria, S.A. company website, www.bbva.com, in the Shareholders and Investors – Corporate Governance and Remuneration Policy section (https://accionistaseinversores.bbva.com/gobierno-corporativo-y-politica-de-remuneraciones/).

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	15

Remarks
In accordance with the provisions of Article 34, Paragraph 2 of the Bylaws, the General Shareholders' Meeting, held on 15 March 2019, resolved to set the total number of directors on the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. at 15.

C.1.2 Fill in the following table on the board members:

Name or corporate name of the director	Representative	Directorship type	Position on the Board	Date of first appointment	Date of most recent appointment	Election procedure
Carlos Torres Vila	-	Executive	Chairman	04/05/2015	15/03/2019	Resolution of the General Shareholders' Meeting
Onur Genç	-	Executive	Chief Executive Officer	20/12/2018	15/03/2019	Resolution of the General Shareholders' Meeting
Tomás Alfaro Drake	-	Other external	Director	18/03/2006	17/03/2017	Resolution of the General Shareholders' Meeting
José Miguel Andrés Torrecillas	-	Independent	Deputy Chair	13/03/2015	16/03/2018	Resolution of the General Shareholders' Meeting
Jaime Félix Caruana Lacorte	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting
Belén Garijo López	-	Independent	Director	16/03/2012	16/03/2018	Resolution of the General Shareholders' Meeting
José Manuel González-Páramo Martínez-Murillo	-	Executive	Director	29/05/2013	17/03/2017	Resolution of the General Shareholders' Meeting
Sunir Kumar Kapoor	-	Independent	Director	11/03/2016	15/03/2019	Resolution of the General Shareholders' Meeting
Carlos Loring Martínez de Irujo	-	Other external	Director	28/02/2004	17/03/2017	Resolution of the General Shareholders' Meeting
Lourdes Máiz Carro	-	Independent	Director	14/03/2014	17/03/2017	Resolution of the General Shareholders' Meeting
José Maldonado Ramos	-	Other external	Director	28/01/2000	16/03/2018	Resolution of the General Shareholders' Meeting
Ana Cristina Peralta Moreno	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting
Juan Pi Llorens	-	Independent	Lead Director	27/07/2011	16/03/2018	Resolution of the General

						Shareholders' Meeting
Susana Rodríguez Vidarte	-	Other external	Director	28/05/2002	17/03/2017	Resolution of the General Shareholders' Meeting
Jan Paul Marie Francis Verplancke	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting

Total number of directors	15

Indicate any appointment terminations, as a result of resignation, dismissal or any other reason, that have occurred on the Board of Directors during the reporting period:

Name or corporate name of the director	Directorship type at the time of termination	Date of most recent appointment	Termination date	Specialist committees of which the director was a member	Indicate whether the termination occurred before the end of the mandate

Cause of the termination and other remarks

C.1.3 Fill in the following tables on the board members and their directorship type:

EXECUTIVE DIRECTORS

Name or corporate name of the director	Position within the company's organisation structure	Profile
Carlos Torres Vila	Chairman	Chairman of the BBVA Board of Directors. He was Chief Executive Officer of BBVA from May 2015 to December 2018, Head of Digital Banking from 2014 to 2015 and Head of Corporate Development & Strategy from 2008 to 2014. In addition, he previously held positions of responsibility in other companies, such as Chief Financial Officer, Director of Corporate Strategy and member of the Executive Committee of Endesa, as well as partner at McKinsey & Company. He completed his studies in Electrical Engineering (BSc) at the Massachusetts Institute of Technology (MIT), where he also received a degree in Business Administration. He holds a master's degree in Management (MS) from the MIT Sloan School of Management and also a Law degree from the National Distance Education University (UNED).
Onur Genç	Chief Executive Officer	Chief Executive Officer of BBVA. He served as President and CEO of BBVA Compass and BBVA Country Manager in the U.S. from 2017 to December 2018, as

		well as Deputy CEO and Executive Vice President at Garanti BBVA between 2012 and 2017. He has also held positions of responsibility at McKinsey & Company (in the Turkey, Canada, Netherlands and United Kingdom offices), having previously been a Senior Partner and Manager of its Turkish office. He holds a degree in Electrical Engineering (BS) from the University of Boğaziçi in Turkey and a master's degree in Business Administration (MSIA/MBA) from Carnegie Mellon University in the USA.
José Manuel González-Páramo Martínez-Murillo	Head of Global Economics and Public Affairs	Executive Director and Head of Global Economics and Public Affairs of BBVA. He is Chairman for Europe of the Trans-Atlantic Business Council, Chairman of the Fundación Consejo España-Perú, Chairman of European DataWarehouse GmbH and Professor at IESE Business School. He has been a member of various organisations, including the Executive Committee and the Governing Council of the European Central Bank, the Governing Council and the Executive Committee of the Bank of Spain and the Committee on the Global Financial System of the Bank for International Settlements. He has a Ph.D., M.Phil. and M.A. in Economics from Columbia University in New York and a Ph.D. in Economics from the Complutense University of Madrid. He has also been awarded an honorary doctorate by the University of Malaga and is a member of the European Academy of Sciences and Arts and a full member of the Royal Academy of Moral and Political Sciences.

Total number of executive directors	**3**
% of all directors	**20%**

EXTERNAL PROPRIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of the director	Profile
José Miguel Andrés Torrecillas	Deputy Chair of the BBVA Board of Directors. His professional career began at Ernst & Young as General Managing Partner of Audit and Advisory Services and Chairman of Ernst & Young Spain until 2014. He has been a member of various organisations such as the ROAC (Registro Oficial de Auditores de Cuentas – official registry of auditors), the REA (Registro de Economistas Auditores – registry of economic auditors), the Junta Directiva del Instituto Español de Analistas Financieros (Spanish Institute of Financial Analysts Management Board), Fundación Empresa y Sociedad (Business and Society Foundation), Instituto de Censores Jurados de Cuentas de España (Spanish Institute of Chartered Accountants), Consejo Asesor del Instituto de Auditores Internos (Advisory Board of the Institute of Internal Auditors) and the Institute of Chartered Accountants in England & Wales (ICAEW). He holds a degree in Economic and Business Sciences from the Complutense University of Madrid and post-graduate studies in

	Management Programs from IESE, Harvard and IMD.
Jaime Félix Caruana Lacorte	He has been General Manager of the Bank of International Settlements (BIS), Director of the Monetary and Capital Markets Department and Financial Counsellor and General Manager of the International Monetary Fund (IMF), Chairman of the Basel Committee on Banking Supervision, Governor of the Bank of Spain and member of the Governing Council of the European Central Bank, among other positions. He is a member of the Group of Thirty (G-30) and Trustee of the Spanish Aspen Institute Foundation. He holds a degree in Telecommunications Engineering from the Escuela Técnica Superior de Ingenieros de Telecomunicación (ETSIT) of the Universidad Politécnica de Madrid and is a Commercial Technician and State Economist.
Belén Garijo López	She is a member of the Merck Group Executive Board and CEO of Merck Healthcare, a member of the L'Oréal Board of Directors and Chair of the International Senior Executive Committee (ISEC) of Pharmaceutical Research and Manufacturers of America (PhRMA). She has held various positions of responsibility at Abbott Laboratories, Rhône-Poulenc, Aventis Pharma and Sanofi Aventis. She is a graduate in Medicine from the University of Alcalá de Henares in Madrid and a specialist in Clinical Pharmacology at Hospital de la Paz, Autonomous University of Madrid. She also holds a master's degree in Business and Management from the Ashridge Management School (UK).
Sunir Kumar Kapoor	He is involved in a range of technology companies in Silicon Valley and Europe, and is Operating Partner at Atlantic Bridge Capital, independent director at Stratio, director at iQuate Limited and mCloud consultant. He has been Manager of Business Enterprise EMEA for Microsoft Europe and Director of Worldwide Business Strategy for Microsoft Corporation. Among other roles, he was previously Executive Vice President and Chief Marketing Officer of Cassatt Corporation and Chair and CEO of UBmatrix Incorporated. He holds a Bachelor's in Physics from the University of Birmingham and a Master's in Computer Systems from Cranfield Institute of Technology.
Lourdes Máiz Carro	She was Secretary of the Board of Directors and Director of Legal Services at Iberia, Líneas Aéreas de España until April 2016. She has also been a director of several companies, including Renfe, GIF (Gerencia de Infraestructuras Ferroviarias – Railway Infrastructure Administrator, now ADIF), the ICO (Instituto de Crédito Oficial – Official Credit Institution), Aldeasa and Banco Hipotecario. She worked in Research, giving classes in Metaphysics and Theory of Knowledge at the Complutense University of Madrid for five years. She became State Attorney and held various positions of responsibility in Public Administration, including General Director of Administrative Organisation, Job Positions and I.T. (Ministry of Public Administrations), General Director of the Sociedad Estatal de Participaciones Patrimoniales (SEPPA) at the Ministry of Economy and Finance and Technical General Secretariat of the Ministry of Agriculture, Fisheries and Food. She holds degrees in Law and Philosophy and Education Sciences as well as a Ph.D. in Philosophy.
Ana Cristina Peralta Moreno	She is independent director and chair of the Audit and Control Committee at Grenergy Renovables and independent director of Inmobiliaria Colonial, Socimi, S.A.

	She was previously Chief Risk Officer and a member of the Bankinter Management Committee, and Chief Risk Officer and member of the Banco Pastor Management Committee. She has also held various positions in a number of financial entities, notably serving as independent director of Deutsche Bank SAE, as well as Chair of the Audit and Risk Committee and of the Appointments Committee of this company, independent director at Banco Etcheverría, Chair of the Risk Committee and member of the Audit and Regulatory Compliance Committee of this company, independent director of Grupo Lar Holding Residencial, S.A.U. and Grupo Lar Unidad Terciario, S.L.U., and Senior Advisor at Oliver Wyman Financial Services. She is a graduate in Economic and Business Sciences from Complutense University of Madrid. She also has a master's degree in Economic-Financial Management from the Centro de Estudios Financieros (CEF), Program for Management Development (PMD) at Harvard Business School and PADE (Programa de Alta Dirección de Empresas – senior management programme) at IESE.
Juan Pi Llorens	Lead Director of BBVA. He is currently a non-executive director at Oesia Networks, S.L. and Tecnobit, S.L.U. (Grupo Oesía). He has had a professional career at IBM holding various senior positions at a national and international level, including Vice President of Sales at IBM Europe, Vice President of Technology & Systems at IBM Europe and Vice President of the Financial Services Sector in the Growth Markets Units (GMU) in China. He was also Executive Chairman of IBM Spain. He holds a degree in Industrial Engineering from the Universidad Politécnica de Barcelona and completed the PDG (Programa en Dirección General – general management programme) at IESE.
Jan Paul Marie Francis Verplancke	His has been Chief Information Officer (CIO) and Head of Technology and Banking Operations at Standard Chartered Bank, Vice President of Technology and CIO for EMEA at Dell, as well as Vice President and Chief of Architecture and Vice President of Information of the Youth Category at Levi Strauss. He holds a bachelor's degree in Science, specialising in Computer Science, from the Programming Centre of the North Atlantic Treaty Organization (NATO) in Belgium.

Total number of independent directors	**8**
% of all directors	**53.33%**

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for their directorship, or maintains or has maintained over the last financial year a business relationship with the company or any company in its group, whether in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the board with the reasons why it deems that this director can perform their duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered proprietary or independent directors, and detail their relationships with the company, its executives or shareholders:

Name or corporate name of the director	Reasons	Company, executive or shareholder to which related	Profile
Tomás Alfaro Drake	Tomás Alfaro Drake has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	He is Director of Internal Development and Professor of the Finance Department at Universidad Francisco de Vitoria. He has held positions such as Director of the bachelor's degree in Business Management and Administration, of the Diploma in Business Sciences and of the degrees in Marketing and in Business Management and Administration at Universidad Francisco de Vitoria, among others. He holds a bachelor's degree in Engineering from the Higher Technical School of Engineering (ICAI) at the Comillas Pontifical University and a master's degree in Economics and Business Management (MBA) from IESE.
Carlos Loring Martínez de Irujo	Carlos Loring Martínez de Irujo has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	He has been partner and member of the Management Committee of Garrigues law firm, where he performed the roles of Director of Mergers and Acquisitions and of Banking and Capital Markets, and was responsible for advising large listed companies. He holds a Law degree from Complutense University of Madrid.
José Maldonado Ramos	José Maldonado Ramos has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	Over the course of his professional career, he has held the positions of Secretary of the Board of Directors at a number of companies, most notably as Secretary General of Argentaria, before taking up the position of Secretary General of BBVA. He took early retirement as a Bank executive in December 2009. He holds a Law degree from Complutense University of Madrid. In 1978, he became State Attorney.
Susana Rodríguez Vidarte	Susana Rodríguez Vidarte has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	She has been Professor of Strategy at the Faculty of Economics and Business Administration at the University of Deusto and a non-practising member of the Institute of Accounting and Accounts Auditing. She was Dean of the Faculty of Economics and Business Administration at the University of Deusto, Director of the Postgraduate Area and Director of the Instituto Internacional de Dirección de Empresas (INSIDE). She holds a Ph.D. in Economic and Business Sciences from Deusto University.

Total number of other external directors	**4**
% of all directors	**26.67%**

Indicate any changes that may have occurred during the period in the directorship type of each director:

Name or corporate name of the director	Date of change	Previous type	Current type

Remarks

C.1.4 Fill in the following table with information regarding the number of female directors over the last four financial years and their directorship types:

	Number of female directors				% of all directors of each type			
	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2016
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	3	3	2	2	37.5%	37.5%	33.33%	25%
Other external	1	1	1	1	25%	25%	25%	25%
Total:	4	4	3	3	26.67%	26.67%	23.08%	20%

C.1.5 Indicate whether the company has diversity policies for the company's board of directors with regard to issues such as age, gender, disabilities, or professional training and experience. In accordance with the definition given in the Spanish Account Auditing Act, small and medium-sized companies will have to report, at a minimum, the policy that they have agreed in regard to gender diversity.

YES

If yes, please outline these diversity policies, their objectives, their measures, the way in which they have been applied and the results thereof in this financial year. Any specific measures adopted by the board of directors and the appointments committee to attain a balanced and diverse representation of directors must also be indicated.

If the company does have a diversity policy, explain the reason for this.

Outline of the policies, their objectives, their measures, the way in which they have been applied and the results thereof
The composition of the Board of Directors is a key element of BBVA Corporate Governance System. As such, it must help the corporate bodies to adequately perform their management and oversight functions, providing different viewpoints and opinions, fostering debate, analysis and critical review of the proposals submitted for its consideration. Thus, the Board of Directors currently consists of a combination of people with wide experience and knowledge of the financial and banking sector, with directors with experience and knowledge of different matters that are of interest to the Bank and Group (such as auditing, digital business and technology, legal and academic fields or multinational businesses), overall achieving adequate balance and diversity in its composition, allowing for a better operation. For this purpose, the Regulations of the Board of Directors establishes as a general principle that directors must meet the suitability requirements to perform their role and they must therefore display a recognised business and professional reputation, have the adequate knowledge and experience to carry out their duties and be in a position to exercise good governance of the Company. The composition of the Board shall seek

to ensure adequate representation of the under-represented gender, an ample majority of non-executive directors over executive directors and that at least one third of the Board are independent directors.

Similarly, as part of the provisions of the Regulations of the Board of Directors, BBVA has a Policy for the selection, appointment, rotation and diversity of its Board members (the "Selection Policy"), which has been approved by the Board of Directors and contains the principles and the specific procedure for selecting, appointing and rotating the Bank's directors and the requirements for performing the role of BBVA director. The Selection Policy states that the selection, appointment and rotation procedures for the Board of Directors will aim to attain a composition of the Company's corporate bodies that enables the duties assigned by law, Bylaws and its own Regulations to be properly carried out in the best corporate interest.

To this effect, the Selection Policy establishes that the Board of Directors will ensure that these procedures allow to identify the most suitable candidates at all times, based on the needs of the corporate bodies, and that they favour diversity of experience, knowledge, skills and gender, and, in general, do not suffer from implicit biases that may involve any kind of discrimination.

In particular, the Selection Policy states that selection procedures should not entail any discrimination that may hinder the selection of female directors and that, by 2020, the number of female board members will represent, at least, 30% of the total number of members of the Board of Directors.

Additionally, it shall ensure that the composition of the Board of Directors has an appropriate balance between the different categories of board members and that non-executive directors represent an ample majority over executive directors, and that the number of independent directors accounts for, at least, 50% of the total board members.

The candidates to be put forward as BBVA directors must have suitable skills, experience and qualifications, meet the suitability requirements needed to hold the position and possess the required availability and dedication to carry out their duties. They must also be able to comply with the requirements set out in the Regulations of the Board of Directors in terms of suitable performance of director duties, in particular those related to due diligence and loyalty, avoiding conflicts of interest and complying with the required rules for position incompatibility and limitations for BBVA directors.

To ensure a suitable composition of the Board at all times, in accordance with the provisions of the Regulations of the Board and with the Selection Policy, and in order to achieve the targets established in the Selection Policy regarding the needs and the most suitable people to form part of the corporate bodies, the Bank carries out an ordered refreshment process, based on a suitable planned rotation of the Board members, ensuring an appropriate composition of the Board at all times.

This process begins with the periodic analysis, performed by the Appointments and Corporate Governance Committee, of the structure, size and composition of the Board, taking into consideration the required diversity of gender, knowledge, competence and experience, the results of the evaluation of the status of Directors and independent judgement and suitability, and also the dedication that the Bank requires to properly perform the role of director, all in accordance with the needs of the Corporate bodies at the time and taking into account the Selection Policy. This process also facilitates the identification of the Board's existing skills, characteristics, experience and diversity, and the areas that need to be improved in the future to ensure that the Board as a whole possesses the knowledge, skills and experience required to enable its proper composition and operation.

Continued in section H of this Report.

C.1.6 Explain any measures that have been agreed by the Appointments Committee to ensure that the selection procedures are free from implicit biases that could hinder the selection of female directors, and to ensure that the company includes and makes a conscious effort to find potential female candidates who match the professional profile, in order to achieve a balanced representation of men and women:

Explanation of the measures
As of the date of this report, four women sit on the BBVA Board of Directors, making up 26.67% of the Board, and they are also members of five of the Board committees. The Audit Committee and the Remunerations Committee include a majority of women, and the latter is chaired by a women. The General Shareholders' Meeting is responsible for appointing members of the Board of Directors in accordance with Article 30.b) of the Bylaws and Article 2 of the Regulations of the Board; however, if a seat falls vacant, the Board has the authority to co-opt members. The role of the Appointments and Corporate Governance Committee is to assist the Board of Directors in matters relating to the selection and appointment of directors and, in particular, to submit to the Board of Directors proposals for the appointment, re-appointment or removal of independent directors and to report on proposals for the appointment, re-appointment or removal of all other directors. To this end, Article 5 of the Regulations of the Appointments and Corporate Governance Committee states that the Committee will assess the balance of knowledge, skills and experience of the Board of Directors, the conditions candidates must satisfy to fill any vacancies that arise, and the time commitment considered necessary to enable them to adequately carry out their duties, according to the needs of the corporate bodies at any given time. The Committee will ensure that selection procedures are not implicitly biased in such a way that may entail any kind of discrimination and, in particular, that may hinder the selection of directors of the underrepresented gender, endeavouring that directors of said gender who display the professional profile sought are included amongst potential candidates. Furthermore, BBVA has established a Selection Policy that states that the procedures for the selection, appointment and rotation of the Board of Directors must aim to achieve a composition of the Bank's corporate bodies that enables the latter to properly perform the duties assigned to them by the law, the Company Bylaws and their own Regulations, in the best corporate interest. To this effect, the Board of Directors will ensure that these procedures enable the identification of the most suitable candidates at any given time based on the requirements of the corporate bodies, that they promote diversity of experience, knowledge, skills and gender and, in general, that they are free from implicit biases that could result in any kind of discrimination. In particular, the Selection Policy states that selection procedures should not entail any discrimination that may hinder the selection of female directors and that, by 2020, the number of female board members should represent, at least, 30% of the total number of members of the Board of Directors. Additionally, it shall ensure that the composition of the Board of Directors has an appropriate balance between the different categories of board members and that non-executive directors represent an ample majority over executive directors. In addition, to ensure the proper composition and operation of the Board of Directors as a whole at all times, its structure, size and composition will be analysed regularly, as well as its existing skills, knowledge, experience and diversity and the areas that need to be improved in the future. For these purposes, the relevant procedures are in place to identify and select the candidates that may, if required, be proposed as new members of the Board of Directors, when considered necessary or appropriate. This analysis process also considers the composition of the different Board committees that assist this corporate body in the performance of its duties and that constitute an essential element of the BBVA Corporate Governance System. In carrying out the above-mentioned selection processes, the Appointments and Corporate Governance Committee relies on the support of prestigious consultants to select independent directors internationally. These consultants carry out an independent search for potential candidates that meet the profile defined in each case by the Committee. During these processes, the external expert is expressly requested to include women with suitable profiles among the candidates to be submitted, and the Committee analyses the personal and professional profiles

of all candidates presented on the basis of the information provided by the external independent expert, in light of the needs of the Bank's corporate bodies at any given time. For these purposes, it assesses the skills, knowledge and experience required to be a director of the Bank and takes into account both the rules on incompatibilities and conflicts of interest and the commitment deemed necessary to carry out the relevant duties.

Continued in section H of this Report.

When, despite the measures taken, there are few or no female directors, explain the reasons:

C.1.7 Explain the conclusions of the appointments committee regarding the verification of compliance with the board member selection policy. In particular, explain how this policy is promoting the objective of having female directors represent at least 30% of the total number of board members by 2020.

Over the course of the financial year, the Appointments and Corporate Governance Committee has continuously analysed the structure, size and composition of the Board of Directors and the principles and targets established in the Selection Policy (as previously detailed in sections C.1.5 and C.1.6) on the basis of the needs of the corporate bodies at any given time, the reality of the Group's structure and businesses and the regulatory requirements and market best practices.

With regard to the suitability requirements to perform the duties of a director, specifically the requirements for recognised business and professional reputation, adequate knowledge and experience and the ability to exercise good governance of the Company (all of which are set out in the Selection Policy), the Appointments and Corporate Governance Committee considered that the composition of the Board of Directors, as a whole, is suitably balanced and that the Board has sufficient knowledge of the environment, activities, strategies and risks of the Bank and the Group, which helps to improve its operation.

Furthermore, it has assessed that the Bank's directors have the necessary reputation to fulfil their roles, the required skills, and sufficient availability to enable them to dedicate the time required to perform the duties assigned to them.

Regarding the selection, appointment and rotation procedures for the Board of Directors, which aim to ensure that the composition of the corporate bodies allows them to properly carry out the duties assigned to them in the best corporate interest, the Committee deemed it appropriate, throughout the financial year, to continue the continuous refreshment process of the Board of Directors. This process aims to ensure that the Board includes directors with experience and knowledge of the financial and banking sector and of the Group's culture and businesses, gradually including people with different professional profiles and experience to improve the diversity of its corporate bodies.

The Committee therefore endeavours to ensure that the selection, appointment and rotation procedures identify the most suitable candidates at any given time based on the needs of the corporate bodies, that they promote diversity of experience, knowledge, skills and gender and, in general, that they are free from implicit biases that could result any kind of discrimination. For these purposes, it has worked with a leading international independent consultancy firm to help select directors.

The Committee also encourages the recruitment of new Board members that enable to fulfil or maintain the targets set out in the Selection Policy, while ensuring that the selection processes are carried out to the highest degree of professionalism and independence.

As a result of the above, prior to submitting the corresponding proposals for the appointment and re-election of directors to the 2019 General Shareholders' Meeting, the Committee also analysed and took into consideration the Selection Policy requirements that endeavour that the number of female directors represent at least 30% of the total number of Board members by 2020, that non-executive directors represent a majority over executive directors, and that the number of independent directors account for at least 50% of all directors. It also took into account its analysis of the structure, size and composition of the Board, including its assessment of the Board's existing knowledge, experience and diversity and of those areas that need to be improved in the future to ensure the proper composition and operation of the Board as a whole.

Thus, following the resolutions approved by the 2019 General Shareholders' Meeting, the number of female directors remained a total of 4, which equals 26.67% of all directors (15) and is close to the 2020 target of at least 30% set by the Selection Policy. Non-executive directors represent a clear majority on the Board (80%) and the number of independent directors remains at least 50% of the total, in line with the provisions set out in the aforementioned Selection Policy.

Similarly, for the purposes of the proposals for the appointment and re-election of directors that will be submitted to the 2020 General Shareholders' Meeting, and in the framework of the refreshment process of the Board that led to 2019 selection process, the Committee has analysed the size, structure and composition of the Board, and concluded that BBVA's corporate bodies maintain a structure, size and composition that meet their needs, enable best performance of their functions and, as in recent financial years, ensure that non-executive directors represent a majority on the Board and that at least half of its directors are independent directors, in line with the Regulations of the Board of Directors and the Selection Policy.

Continued in section H of this Report.

C.1.8 Where applicable, explain why proprietary directors have been appointed at the behest of shareholders whose holding is less than 3% of the capital:

Name or corporate name of the shareholder	Justification

Indicate whether formal petitions for a seat on the Board have been denied if such request has come from shareholders whose holding is equal to or greater than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions were not granted:

NO

C.1.9 Where applicable, indicate the powers and faculties delegated by the Board of Directors to directors or to board committees:

Name or corporate name of the director or committee	Brief description
Carlos Torres Vila	Holds wide-ranging powers of representation and administration in line with his duties as Chairman of the Company.
Onur Genç	Holds wide-ranging powers of representation and administration in line with his duties as Chief Executive Officer of the Company.
José Manuel González-Páramo Martínez-Murillo	Holds powers of representation and administration in line with his duties as Head of Global Economics & Public Affairs.
Executive Committee	Pursuant to Article 30 of BBVA's Regulations of the Board of Directors and Article 1.2 of the Regulations of the Executive Committee, the Executive Committee will deal with those matters of the Board of Directors that the Board agrees to delegate to it, in accordance with the law, the Bylaws, the Regulations of the Board of Directors or the Regulations of the Executive Committee.

C.1.10 Where applicable, identify any members of the Board who hold positions as directors, representatives of directors or executives in other companies that belong to the same group as the listed Company:

Name or corporate name of the director	Corporate name of the group's entity	Position	Does the director have executive duties?
Carlos Torres Vila	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer	Director	No
Carlos Torres Vila	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director	No
Onur Genç	BBVA USA Bancshares, Inc.	Director	No
Onur Genç	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer	Director	No
Onur Genç	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director	No

C.1.11 Where applicable, provide details of any Company directors (or representatives of corporate directors) who also serve as directors (or representatives of corporate directors) on the boards of other entities that are listed on a regulated stock market and do not form part of the Company Group, of which the company has been informed:

Name or corporate name of the director	Corporate name of the listed entity	Position
José Miguel Andrés Torrecillas	Zardoya Otis, S.A.	Director
Belén Garijo López	L'Oréal Société Anonyme	Director
Ana Cristina Peralta Moreno	Grenergy Renovables, S.A.	Director
Ana Cristina Peralta Moreno	Inmobiliaria Colonial, SOCIMI S.A.	Director
Juan Pi Llorens	Ecolumber, S,A.	Chairman

C.1.12 Indicate and, where applicable, explain whether the Company has any agreed rules on the maximum number of company boards on which its directors may sit, detailing where such rules have been set out:

YES

Explanation of the rules and where they are set out
Article 11 of the Regulations of the Board of Directors provides that, in the performance of their duties, directors will be subject to the rules on limitations and incompatibilities established under the current applicable regulations, and in particular, to the provisions of Act 10/2014 on the regulation, supervision and solvency of credit institutions. Article 26 of Act 10/2014 stipulates that the directors of credit institutions may not simultaneously hold more positions than those provided for in the following combinations: (i) one executive position and two non-executive positions; or (ii) four non-executive positions. Executive positions are understood to be those that undertake management duties irrespective of the legal bond attributed by those duties. The following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within (i) entities that form part of the same institutional protection

scheme or (ii) trading companies in which the entity holds a significant shareholding. Positions held in non-profit organisations or entities or companies pursuing non-commercial purposes will not count when determining the maximum number of positions. Nevertheless, the Bank of Spain may authorise members of the Board of Directors to hold an additional non-executive position if it deems that this would not interfere with the proper performance of the director's activities in the credit institution.

In addition, pursuant to the provisions of Article 11 of BBVA's Regulations of the Board of Directors, directors may not:

- Provide professional services to companies competing with the Bank or any of its Group companies, or agree to be an employee, manager or director of such companies, unless they have received express prior authorisation from the Board of Directors or from the General Shareholders' Meeting, as appropriate, or unless these activities had been provided or conducted before the director joined the Bank, they had posed no effective competition and they had informed the Bank of such at that time.

- Have direct or indirect shareholdings in businesses or companies in which the Bank or its Group companies hold an interest, unless such shareholding was held prior to joining the Board of Directors or to the time when the Group acquired its holding in such businesses or companies, or unless such companies are listed on national or international securities markets, or unless authorised to do so by the Board of Directors.

- Hold political positions or perform any other activities that might have public significance or may affect the Company's image in any way, unless this is with prior authorisation from the Bank's Board of Directors.

C.1.13 Indicate the amounts of the following items relating to the total remuneration of the board of directors:

Remuneration of the Board of Directors accrued during the financial year (thousands of euro)	15.467
Amount of entitlements accrued by current directors in regard to pensions (thousands of euro)	22.986
Amount of entitlements accrued by former directors in regard to pensions (thousands of euro)	72.444

Remarks
The remuneration included under "Remuneration of the Board of Directors accrued during the financial year" includes the fixed remunerations awarded to all Board members in 2019, as well as the upfront part of the Annual Variable Remuneration for 2019 for executive directors, in cash and shares, and the deferred part of the Annual Variable Remuneration for 2016 for executive directors, in cash and shares, together with its update, whose amounts have been determined in 2020 and will be paid, if conditions are met in the first quarter of 2020.

C.1.14 Identify the members of senior management who are not also executive directors, and indicate the total remuneration accrued to them throughout the financial year:

Name or corporate name	Position(s)
María Luisa Gómez Bravo	Global Head of Corporate & Investment Banking
Jorge Sáenz-Azcúnaga Carranza	Country Monitoring
Pello Xabier Belausteguigoitia Mateache	Country Manager Spain
Eduardo Osuna	Country Manager Mexico

David Puente Vicente	Global Head of Client Solutions
Jaime Sáenz de Tejada Pulido	Global Head of Finance
Rafael Salinas Martínez de Lecea	Global Head of Global Risk Management
Ricardo Forcano García	Global Head of Engineering & Organization
Carlos Casas Moreno	Global Head of Talent & Culture
Ricardo Martín Manjón	Global Head of Data
Victoria del Castillo Marchese	Global Head of Strategy & M&A
María Jesús Arribas de Paz	Global Head of Legal
Domingo Armengol Calvo	General Secretary
Ana Fernández Manrique	Global Head of Regulation and Internal Control
Joaquín Manuel Gortari Díez	Global Head of Internal Audit

Total remuneration of senior management (thousands of euro)	19.508

C.1.15 Indicate whether there have been any amendments to the Regulations of the Board during the financial year:

Yes

Description of the amendments
The Board of Directors, at its meeting held on 29 April 2019, approved a new consolidated text of the Regulations of the Board, with the following major amendments: (i) the reorganisation of the functions of the Board of Directors into five blocks, relating to: (a) the policies and strategy of the Company and its Group, and its corporate and governance structure; (b) the organisation and operation of the Board and its delegated and advisory bodies; (c) directors, senior managers and employees; (d) financial statements, annual financial statements and information to be provided by the Bank; and (e) other general responsibilities, such as the approval of operations, the monitoring of adopted resolutions and the supervision and control of the Company (Article 17); (ii) the formalisation of the separation between the duties of the Group Executive Chairman and those of the Chief Executive Officer, more clearly determining the duties that correspond to each and expressly defining their respective areas of responsibility and the reporting carried out by each head of area to each of them (Articles 18 and 20); (iii) a revision of the duties of the Lead Director, establishing, inter alia, the requirement for the Lead Director to be aware of the annual meeting schedule and the agenda proposals for Board meetings before they are called, and to periodically report to the Board on their activity, their term of office and the procedure for appointment to their role (Article 21); (iv) the creation of the position of Deputy Chair of the Board of Directors, in line with the provisions of the Bylaws (Article 19); (v) improvements in the operation of the corporate bodies, such as the reinforcement of the report on the committees' activity to the Board and greater coordination between the corporate bodies; (vi) changes to the regulations of the Board committees, in accordance with the redrafted Regulations of each committee, as described in section C.2.3 of this report; and (vii) the inclusion that non-executive directors may hold coordination and follow-up meetings, convened and led by the Lead Director (Article 37).

C.1.16 Indicate the procedures for the selection, appointment, re-appointment and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria to be used in each procedure.

Selection, appointment and re-appointment procedure:

In accordance with the Policy on the selection, appointment, rotation and diversity of the members of the Board (the "Selection Policy"), described in sections C.1.5 and C.1.6 above, and with the provisions of the Regulations of the Board of Directors, the General Shareholders' Meeting is responsible for appointing the members of the Board, without prejudice to the Board's authority to co-opt members if a seat falls vacant. This is carried out based on the proposal submitted by the Appointments and Corporate Governance Committee with regard to independent directors and subject to a prior report by said committee in the case of other directors.

In all cases, the proposal must be accompanied by an explanatory report drawn up by the Board of Directors detailing the skills, experience and merits of the candidate proposed, which will be added to the minutes of the General Shareholders' Meeting or the Board of Directors meeting.

If the proposal concerns the re-election of a director, the resolutions and deliberations of the Board of Directors will be carried out without the participation of the director whose re-election is being proposed, and this director shall also leave the meeting if in attendance.

In any event, the persons proposed for appointment as directors must meet the requirements set out in the current legislation, in the specific regulations applicable to credit institutions and in the Bank's internal regulations. In particular, directors must meet the suitability requirements needed to hold the position and must have recognised business and professional reputation, have the adequate knowledge and experience to carry out their duties and be in a position to exercise good governance of the Company.

In addition, the Board of Directors will ensure that the procedures for the selection of directors favour diversity within its membership and, in general, do not suffer from implicit biases that may imply any discrimination. It will also submit its proposals to the General Shareholders' Meeting, seeking to ensure adequate representation of the underrepresented gender and that, in its composition, there is an ample majority of non-executive directors over executive directors and that at least one third of the Board are independent directors. In this regard, the Selection Policy specifies that it shall ensure that the independent directors make up at least 50% of the total number of directors.

To this end, and as detailed in sections C.1.15 and C.1.6, the Appointments and Corporate Governance Committee will assess the balance of knowledge, skills and experience of the Board of Directors to ensure that its composition allows an adequate performance of its functions. It will also assess the conditions that candidates must satisfy to fill any vacancies that arise, and the time commitment considered necessary to enable them to adequately perform their role, according to the needs of the Company's corporate bodies at any given time. The Committee will ensure that selection procedures are not implicitly biased in such a way that may entail any kind of discrimination and, in particular, that may hinder the selection of directors of the underrepresented gender, endeavouring that directors of said gender who display the professional profile sought are included amongst potential candidates.

Duration of mandate and termination:

The directors will hold their position for the term set out in the company Bylaws (three years, after which they may be re-elected one or more times for an additional three-year term) or, if they have been co-opted, until the first General Shareholders' Meeting has been held. They will resign from their positions when the term for which they were appointed expires, unless they are re-elected.

Directors must also inform the Board of Directors of any circumstances affecting them that could harm the company's standing and reputation, and any circumstances that may have an impact on their suitability for their role. Directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office or not. Should the Board decide against their continuity, they are required to tender their resignation, in the circumstances listed in section C.1.19 below.

In any event, directors will resign from their positions upon reaching 75 years of age and must submit their resignation at the first meeting of the Bank's Board of Directors held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.17 Explain the extent to which the annual evaluation of the Board has led to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of the amendments
Article 17 of the Regulations of the Board of Directors states that the Board will assess the quality and efficiency of the operation of the Board of Directors, based on the report submitted by the Appointments and Corporate Governance Committee. This procedure was followed in the 2019 financial year, and, as in previous years, several measures were implemented as a result, which are described below, and which form part of the ongoing process of developing and adapting BBVA's Corporate Governance System to the needs of the corporate bodies, to the environment in which it carries out its activities and to regulatory requirements and best practices. The BBVA Board of Directors carried out the self-assessment process for 2019 following a comprehensive review of the effectiveness of the Corporate Governance System, in order to strengthen its operation and efficiency. This review took into consideration, as a starting point, the self-assessment process carried out in 2018, as well as an analysis of the Bank's corporate governance structures performed by an independent expert at the end of 2018. As a result, during 2019, the corporate bodies defined and led the implementation of several improvements in the Corporate Governance System, which were reflected in the new regulations for the Board and its committees, approved in April 2019 and whose main changes are described in sections C.1.15 and C.2.3 of this report, in addition to other improvements in the operation and organisation of the corporate bodies; all of which mainly include the following measures: (i) the reinforcement of the structure of checks and balances, in particular, the progress made in the separation between the duties of the Group Executive Chairman and those of the Chief Executive Officer, eliminating the reporting line from the Chief Executive Officer to the Chairman; as well as the revision of the duties of the Lead Director and the appointment of a Deputy Chair of the Board; (ii) the redistribution of the functions of the Board committees and the enhancement of the periodic report on the activities of the committees to the Board of Directors; (iii) greater interaction between the corporate bodies regarding the decision-making process and the exercise of their oversight and control functions; and (iv) greater independence for the internal control functions, now under the direct authority of the Board of Directors.

Identify the evaluated areas and describe the evaluation process conducted by the Board of Directors (assisted, where applicable, by an external consultant) to assess the operation and composition of the Board, its committees and any other area or aspect that was evaluated.

Description of the evaluation process and the areas evaluated
In accordance with Article 17 of the Regulations of the Board of Directors, the Board assesses the quality and effectiveness of the operation of the Board of Directors, as well as the performance of the duties of the Chairman of the Board, based in each case on the report submitted by the Appointments and Corporate Governance Committee. The Board of Directors also assesses the performance of the Chief Executive Officer, based on the report submitted by the Appointments and Corporate Governance Committee, which will

include the assessment made by the Executive Committee. Finally, the Board of Directors also assesses the operation of its committees, based on the reports submitted thereby.

The assessment process carried out in relation to the 2019 financial year consisted of a comprehensive analysis and evaluation of the quality and efficiency of the operation of the corporate bodies and the performance of the Chairman and the Chief Executive Officer. This assessment was carried out by the Appointments and Corporate Governance Committee, taking into account several aspects, such as the analysis of the Bank's corporate governance structures performed by an independent expert at the end of the 2018 financial year, the Board's self-assessment for 2018, the directors' view of the operation of the Board, as well as the different reports described below.

In the framework of the foregoing, the Board of Directors has assessed: (i) the quality and efficiency of the operation of the Board of Directors; (ii) the performance of the duties of the Chairman and the Chief Executive Officer; and (iii) the operation of the Board committees; as detailed below.

- The Board of Directors analysed the quality and efficiency of its operation during the 2019 financial year, on the basis of the report submitted by the Appointments and Corporate Governance Committee on the quality and efficiency of the Board's operation and on its structure, size and composition. This report contained a detailed analysis of the following: the structure, size and composition of the Board of Directors, including the diversity of knowledge, skills, experience and gender required of its members; the organisation, preparation and conduct of the meetings of the Board; the independence and suitability of directors, and the degree of commitment the Bank requires of Board members (in particular, the chair of each of the committees) to ensure the proper performance of the duties of director and the proper operation of the corporate bodies; taking into account the needs of the corporate bodies at any given time and the Selection Policy.

- The performance assessment of the duties of the Chairman of the Board of Directors, led by the Lead Director in accordance with Article 21 of the Regulations of the Board, was carried out by the Board on the basis of the report submitted by the Appointments and Corporate Governance Committee, in accordance with Article 5 of the Regulations of the Appointments and Corporate Governance Committee, which details the key features of the Chairman's performance in 2019.

- The performance assessment of the duties of the Chief Executive Officer was carried out by the Board on the basis of the report submitted by the Appointments and Corporate Governance Committee, including the assessment carried out in this respect by the Executive Committee, in accordance with Article 17 of the Regulations of the Board, which details the key features of the Chief Executive Officer's performance in 2019.

The Board has also assessed the quality and efficiency of the operation of the Executive Committee, and of the Audit Committee, the Risk and Compliance Committee, the Appointments and Corporate Governance Committee, the Remunerations Committee and the Technology and Cybersecurity Committee, on the basis of reports submitted by their respective Chairs.

Continued in section H of this Report.

C.1.18 For those financial years in which an external consultant provided assistance for the evaluation, provide details of any ongoing business relationships that the consultant or any entity in their group maintains with this Company or any company in this Group.

The assessment carried out by the Board of Directors in 2019 regarding its quality and operation, its committees and the performance of the duties of the Chairman of the Board and the Chief Executive Officer took into account the analysis of the Bank's corporate governance structures performed by an independent expert at the end of the 2018 financial year; without any knowledge of significant business relationships between the Company and the external independent expert or any other company of its group.

C.1.19 Indicate the circumstances under which directors are obliged to resign.

In addition to the circumstances established in applicable law, directors will cease to hold office when the term for which they were appointed has expired, unless they are re-elected.

Accordingly, as set forth in Article 12 of the Regulations of the Board of Directors, directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office or not. Should the Board decide against their continuity, they are required to tender their resignation in the following circumstances:

- If they find themselves in circumstances deemed incompatible or prohibited under current legislation, in the Bylaws or in the Regulations of the Board of Directors.
- When significant changes occur in their personal or professional situation that affect the status by virtue of which they were appointed as directors.
- In the event of serious breach of their duties in the performance of their role as directors;
- When, for reasons attributable to the directors in their status as such, serious damage has been done to the Company's equity, standing or reputation; or
- When they are no longer suitable to hold the status of director of the Bank.

C.1.20 Are supermajorities, other than those provided for in law, required for any type of decision?

NO

Where applicable, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those relating to directors, to be appointed Chairman of the Board of Directors.

NO

C.1.22 Indicate whether the Bylaws or Regulations of the Board establish an age limit for directors:

YES

Age limit for the Chairman	Age limit for the Chief Executive Officer	Age limit for the directors
0	0	75

Remarks
As stipulated in Article 4 of the BBVA Regulations of the Board of Directors, directors will resign from their position, in any event, upon reaching 75 years of age, and must submit their resignation at the first meeting of the Bank's Board of Directors held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.23 Indicate whether the Bylaws or Regulations of the Board of Directors establish a limited mandate or other stricter requirements for independent directors in addition to those provided for in law:

NO

C.1.24 Indicate whether the Bylaws or the Regulations of the Board of Directors establish specific rules for proxy voting within the Board of Directors, how this is carried out and, in particular, the maximum number of proxies that a director may have and whether there are any restrictions as to what categories may be appointed as a proxy, beyond the limitations provided for in law. Where applicable, provide a brief description of these rules.

Article 5 of the BBVA Regulations of the Board of Directors establishes that directors are required to attend meetings of the corporate bodies on which they sit, except for a justifiable reason, and to participate in the deliberations, discussions and debates held on matters submitted for their consideration. Directors should personally attend the meetings that are held. Notwithstanding the foregoing, as set forth in Article 26 of the Regulations of the Board of Directors, should it not be possible for a director to attend any of the meetings of the Board of Directors, he or she may grant proxy to another director to represent and vote on his or her behalf, through a letter or email sent to the Company with the information required for the proxy director to be able to follow the absent director's instructions. Applicable legislation states, however, that non-executive directors may only grant proxy to another non-executive director. The same applies to attendance at meetings of Board committees.

C.1.25 Indicate the number of meetings that the Board of Directors has held during the financial year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. The Chairman will be considered to have been in attendance if represented by a proxy provided with specific instructions.

Number of Board meetings	**14**
Number of Board meetings without the Chairman in attendance	**0**

Indicate how many meetings were held by the Lead Director with the other Board members, without any executive director in attendance or represented:

Number of meetings	**64**

Remarks
BBVA's Board of Directors has a Lead Director who performs the duties set forth in the applicable legislation, as well as those stipulated by Article 21 of the Regulations of the Board of Directors. In the performance of the functions assigned to this position, during the financial year, the Lead Director maintained ongoing contact, held meetings and had conversations with other Bank directors in order to seek their opinions on the corporate governance and operation of the Bank's corporate bodies. In addition, in accordance with Article 37 of the Regulations of the Board, the Lead Director coordinated various meetings of non-executive directors, which were held after each meeting of the Board of Directors. Likewise, the Lead Director also serves, as of the date of this report, as Chair of the Risk and Compliance Committee and sits on the Appointments and Corporate Governance Committee, both of which are composed of non-executive directors and have a majority of independent directors. These positions additionally allowed the Lead Director, in the course of his duties, to meet regularly with the Bank's non-executive directors on the occasion of these meetings, which are added to the aforementioned meetings, enabling the Lead Director to perform the duties. José Miguel Andrés Torrecillas, who held the position of Lead Director until 29 April 2019, also held periodic meetings and had conversations with other non-executive directors; however these meetings have not been included in the number provided in this Section

Indicate how many meetings of the Board Committees were held during the financial year:

Number of meetings of the Executive Committee	**18**
Number of meetings of the Audit Committee	**15**

Number of meetings of the Appointments and Corporate Governance Committee	**8**
Number of meetings of the Remunerations Committee	**7**
Number of meetings of the Risk and Compliance Committee	**21**
Number of meetings of the Technology and Cybersecurity Committee	**6**

C.1.26 Indicate how many meetings were held by the Board of Directors during the financial year and provide details on the attendance of its members:

Number of meetings attended by at least 80% of the directors	**14**
% of in-person attendance of the total number of votes cast during the financial year	**100%**
Number of meetings where all directors, or proxies granted with specific instructions, attended in person	**14**
% of votes cast, with directors attending in person and with proxies granted with specific instructions, of the total number of votes cast throughout the financial year	**100%**

Remarks
The Board of Directors holds meetings on a monthly basis, in accordance with the annual calendar of ordinary meetings drawn up before the beginning of the financial year, and holds extraordinary meetings as often as deemed necessary. The Board of Directors held 14 meetings during the 2019 financial year. All directors attended all of the Board's meetings.

C.1.27 Indicate whether the individual or consolidated annual financial statements that are presented to the Board for approval are certified beforehand:

NO

Where appropriate, identify the person(s) who has/have certified the company's individual and consolidated annual financial statements prior to Board approval:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated statements from being presented at the General Shareholders' Meeting with a qualified auditors' report.

Article 32 of the Regulations of the Board of Directors specifies that the Audit Committee, composed exclusively of independent directors, shall assist the Board of Directors in overseeing the preparation of the financial statements and public information, and the relationship with the external auditor and the Internal Audit function.

In this regard, in accordance with Article 5 of the Regulations of the Audit Committee, the duties of this Committee include: oversee the effectiveness of the Company's internal control and risk management systems in the preparation and reporting of financial information, including fiscal risks; discussing with the auditor any significant weaknesses in the internal control system detected during the audit, without undermining its independence; and overseeing the preparation and reporting of financial information and submitting recommendations or proposals to the Board of Directors aimed at safeguarding the integrity thereof.

Moreover, said Article of the Regulations of the Audit Committee establishes that the Committee will verify, with the appropriate frequency, that the external audit program is being carried out in accordance with the contract conditions and is thereby meeting the requirements of the competent official authorities and the corporate bodies. The Committee will also periodically—at least once per year—request from the auditor an evaluation of the quality of the internal control procedures regarding the preparation and reporting of the Group's financial information.

The Committee will also be apprised of any infringements, situations requiring adjustments or anomalies that may be detected during the course of the external audit, provided that these are relevant, i.e. those that, in isolation or as a whole, may cause significant and substantive harm to the Group's equity, earnings or reputation. Discernment of such matters will be at the discretion of the external auditor, who, if in doubt, must opt to report on them.

In the performance of these duties, the Audit Committee maintains direct and ongoing contact with the external auditors through monthly meetings, without the attendance of the Bank's executives. At these meetings, the auditors provide detailed information on their work and the results thereof, which enables the Committee to continuously monitor said work, ensuring that it is performed under optimal conditions and without interference from management.

C.1.29 Is the Secretary of the Board a director?

NO

If the Secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
Domingo Armengol Calvo	-

C.1.30 Indicate the specific mechanisms established by the Company to preserve the independence of the external auditors, and, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how legal measures have been implemented in practice.

As set forth in the Regulations of the Audit Committee, one of the Committee's functions, described in section C.2.1, is to ensure the independence of the auditor through a dual approach:

- Avoiding that the auditor's warnings, opinions or recommendations may be adversely influenced. To this end, the Committee must ensure that compensation for the auditor's work does not compromise either its quality or independence, in compliance with the account auditing legislation in force at any given moment.

- Establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, agreement by the Committee will be required, and this decision may be delegated in advance to its Chair. The auditor will be prohibited from providing unauthorised services outside the scope of the audit, in compliance with the auditing legislation in force at any given moment.

This matter is carefully considered by the Audit Committee, which holds meetings with the auditor's representatives at each of the monthly meetings held, without Bank executives in attendance, to gain a detailed understanding of any issues that may hinder the audit process, the progress and quality of the work carried out, and to confirm independence in the performance of its work. The Committee also continuously oversees the engagement of additional services to ensure compliance with the Regulations of the Audit Committee and with applicable legislation and thus the independence of the auditor, in accordance with the Bank's internal procedure.

Moreover, in accordance with the provisions of point f), section 4 of Article 529 quaterdecies of the Spanish Corporate Enterprises Act and Article 5 of the Regulations of the Audit Committee, each year before the audit report is issued, the Committee must issue a report expressing its opinion on whether or not the independence of the auditor has been compromised. This report must, in all cases, contain a reasoned assessment of the provision of each and every kind of additional service provided to the Group companies, considered individually and collectively, different from the legal audit and relating to independence or the regulations on audit activity. Each year, the auditor must issue a report confirming its independence via-à-vis BBVA or entities linked to BBVA, either directly or indirectly, with detailed and itemised information on any kind of additional services provided to these entities by the external auditor, or by the individuals or entities linked to it, as set out in the consolidated text of the Spanish Account Auditing Act.

The relevant auditor and Audit Committee reports confirming the auditor's independence were issued for the 2019 financial year, in compliance with the legislation in force. The Audit Committee report confirming the independence of the auditor is available on the BBVA corporate website.

In addition, as BBVA's shares are listed on the New York Stock Exchange, it is subject to compliance with the Sarbanes Oxley Act and its implementing regulations.

The Board of Directors also has a policy in place for communication and contact with shareholders and investors. The policy is governed by the principle of equal treatment for all shareholders and investors who are in the same position in terms of information, participation and the exercise of their rights as shareholders and investors, inter alia.

This policy also contains the principles and channels established in relation to shareholders and investors, which govern, where applicable, BBVA relations with other stakeholders, such as financial analysts, management companies and custodians for the Bank shares, and proxy advisors, among others.

C.1.31 Indicate whether the Company has changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

NO

If there were any disagreements with the outgoing auditor, explain these disagreements:

NO

C.1.32 Indicate whether the auditing firm does any other work for the Company and/or its Group other than the audit. If so, declare the amount of fees received for such work and the percentage that these fees represent of the total fees billed to the Company and/or its Group:

YES

	Company	**Group companies**	**Total**
Amount of non-audit work (thousands of euro)	3	284	287
Amount of non-audit work/total amount billed by the auditing firm (%)	0.02%	1.68%	0.96%

C.1.33 Indicate whether the audit report of the annual financial statements for the previous financial year contained reservations or qualifications. If so, indicate the reasons given by the Chair of the Audit Committee to the shareholders at the general meeting to explain the content and scope of such reservations or qualifications.

NO

C.1.34 Indicate the number of consecutive financial years during which the current audit firm has been auditing the annual financial statements for the Company and/or its Group. Likewise, indicate the total number of financial years audited by the current audit firm as a percentage of the total number of years in which the annual financial statements have been audited:

	Individual	Consolidated
Number of consecutive financial years	3	3
Number of financial years audited by the current audit firm/number of financial years the Company or its Group have been audited (%)	15.79%	15.79%

C.1.35 Indicate whether there is a procedure in place (and provide details, where applicable) whereby directors are provided with the information they need with sufficient time to be able to prepare for meetings of the management bodies:

YES

Details of the procedure
As set forth in Article 5 of the Regulations of the Board of Directors, directors will be provided in advance with the information needed to form an opinion with respect to the matters within the remit of the Bank's corporate bodies, and may ask for any additional information and advice required to perform their duties. They may also request the Board of Directors for external expert assistance for any matters submitted to their consideration whose special complexity or importance so requires. These rights will be exercised through the Chairman or Secretary of the Board of Directors, who will attend to requests by providing the information directly or by establishing suitable arrangements within the organisation for this purpose, unless a specific procedure has been established in the regulations governing the Board of Directors' committees. Furthermore, as set forth in Article 28 of the Regulations of the Board of Directors, the directors will be provided with such information or clarifications as deemed necessary or appropriate with regards to the matters to be discussed at the meeting, either before or during the progress thereof. In addition, BBVA has an information model that ensures that decisions are made on the basis of complete, comprehensive, appropriate and consistent information, prepared in accordance with common principles so that analyses carried out by the corporate bodies are based on the correct data, thus allowing directors to better perform their duties. Thus, the Bank's corporate bodies have a procedure in place for verifying the information submitted for consideration, coordinated by the Board's General Secretariat with the departments responsible for the information, in order to provide directors with complete, comprehensive, appropriate and consistent information in sufficient time for the meetings of the Bank's various corporate bodies. Information on the meetings is made available to the Bank's corporate bodies via an online system, to which all members of the Board have access.

C.1.36 Indicate and, where applicable, provide details of whether the Company has set out rules that require directors to inform and, where applicable, resign under circumstances that may damage the Company's standing and reputation:

YES

Explanation of the rules
As set forth in Article 12 of the Regulations of the Board of Directors, directors must also inform the Board of Directors of any circumstances that may affect them and harm the Company's standing and reputation, and any circumstances that may have an impact on their suitability to perform their role. Directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office or not. Should the Board decide against their continuity, they are required to tender their resignation when, for reasons attributable to the directors in their status as such, serious damage has been done to the Company's equity, standing or reputation or when they are no longer suitable to hold the status of director of the Bank, among other circumstances referred to in section C.1.19 of this report.

C.1.37 Indicate whether any members of the Board of Directors have informed the Company that they have been accused or ordered to stand trial for any offences stated in Article 213 of the Spanish Corporate Enterprises Act:

NO

Indicate whether the Board of Directors has examined the case. If so, explain the grounds for the decision taken as to whether or not the director should retain the directorship post or, where applicable, describe the actions taken or that are intended to be taken by the Board of Directors on the date of this report.

C.1.38 Detail any significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the Company stemming from a public takeover bid, and its effects.

The Company has not reached significant agreements that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid.

C.1.39 Identify on an individual basis, when referring to directors, and in aggregate form for all other cases, and indicate in detail any agreements between the Company and its directors, managers or employees that provide for severance pay (guarantee or golden parachute clauses) for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end owing to a public takeover bid or other kinds of transactions.

Number of beneficiaries	65
Beneficiary type 65 managers and employees	**Description of the agreement** The Bank has no commitments to provide severance pay to directors. As at 31 December 2019, a group of 65 managers and employees are entitled to receive severance pay in the event of dismissal on grounds other than their own will, retirement, disability or serious dereliction of duties. Its amount will be calculated by factoring in the salary and length of service of the employee, and will not be paid in the event of lawful dismissal at the employer's decision on grounds of the employee's serious dereliction of duties.

Indicate whether, in addition to the circumstances provided for by law, the corporate bodies and Group bodies must be notified of and/or approve these contracts. If so, specify the procedures, the circumstances provided for and the nature of the bodies responsible for approval or notification:

	Board of Directors	General meeting
Body that authorises the clauses	Yes	No

	YES	NO
Is the general meeting informed of these clauses?	X	

Remarks
The Board of Directors approves resolutions relating to the basic contractual conditions of members of Senior Management, pursuant to the provisions of Article 17 of the Regulations of the Board of Directors, hereby notified to the General Shareholders' Meeting through this Report and through the information contained in the Annual Financial Statements, but does not approve the conditions applicable to other employees.

C.2 Committees of the Board of Directors

C.2.1 Detail all of the committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors sitting thereon:

EXECUTIVE COMMITTEE

Name	Position	Category
Carlos Torres Vila	Chair	Executive
Onur Genç	Member	Executive
Jaime Félix Caruana Lacorte	Member	Independent
Carlos Loring Martínez de Irujo	Member	Other external
José Maldonado Ramos	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of executive directors	33.33%
% of proprietary directors	0%
% of independent directors	16.67%
% of other external directors	50%

Explain the duties that have been delegated or assigned to this committee, other than those that have already been described in section C.1.10, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

Pursuant to Article 30 of BBVA's Regulations of the Board of Directors and Article 1.2 of its own Regulations, the Executive Committee will be made aware of matters delegated by the Board of Directors, as required by law, the Bylaws, the Regulations of the Board or its own Regulations.

In particular, in accordance with the powers conferred on it by Article 5 of the Regulations of the Executive Committee, approved by the Board on 29 April 2019, the Committee performs the following functions:

- Support functions to the Board of Directors in decision-making:

(i) In relation to strategy: establishment of the bases and previous analysis of the proposals submitted to the Board of Directors in relation to the Bank's Strategic Plan or other strategic decisions, including the Risk Appetite Framework; prior analysis of the strategic and financial aspects of proposals submitted to the Board regarding corporate transactions that fall within its decision-making remit; and decision-making or execution of the mandates which are expressly delegated by the Board in these fields, once the decisions reserved to it are adopted by the Board.

(ii) In relation to budgets: prior analysis of budget proposals submitted to the Board; corresponding decision-making for the implementation of the budget approved by the Board; and analysis of deviations from the approved budget.

(iii) In relation to finance: establishment of the bases and previous analysis of the proposals submitted to the Board of Directors relating to the Bank's funding plan, its capital and liquidity structure, and its dividends policy; and decision-making on the implementation of mandates conferred upon it by the Board in these areas.

(iv) In relation to business risk: analysis of matters relating to business risk in the proposals and plans submitted to the Board of Directors.

(v) In relation to reputational risk: analysis, evaluation and management of matters relating to reputational risk.

- Prior reporting of policies submitted to the Board and approval of Company and Group general policies: analysis, prior to their consideration by the Board, of the general Group and Company policies that, in accordance with the law or internal regulations, must be approved by the Board, except for policies relating to issues handled by other Board committees, which will be approved or reported to the Board beforehand by the appropriate committee.

- Oversight and control of the following matters: (i) Group activity and results; (ii) budget monitoring; (iii) progress of the Strategic Plan, through the key performance indicators established for this purpose; (iv) monitoring of the Group's liquidity and funding plan and capital situation, as well as the activities of the Assets and Liabilities Committee; (v) monitoring of the evolution of the risk profile and the core metrics defined by the Board; (vi) share-price performance and changes in shareholder composition; (vii) analysis of the markets in which the Group operates; and (viii) progress of projects and investments agreed within its remit, as well as those agreed by the Board within the strategic level.

- Decision-making powers on the following matters: (i) investments and divestments between EUR 50 million and EUR 400 million, unless they are of a strategic nature, in which case they will be the Board's responsibility; (ii) plans and projects that are considered to be of importance to the Group and that arise from its activities, and that are not within the remit of the Board; (iii) decisions regarding the assumption of risks that exceed the limits set by the Board, which must be reported to the Board at its first meeting thereafter for ratification; (iv) granting and revoking of the Bank's powers; (v) proposals for the appointment and replacement of directors in the Bank's subsidiaries or investees companies with more than EUR 50 million in own funds; and (vi) whether executive directors may hold management positions in companies controlled, directly or indirectly, by the Bank, or in the Group's investee companies.

The Regulations of the Executive Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation.

The Regulations of the Executive Committee specifically provide that the Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda. The regulations also set out the procedure for calling ordinary and extraordinary meetings.

For the proper performance of its functions, the Committee will have available, where necessary, the reports of the relevant Board committees on matters within their remits, and may request, as a matter of relevance, the attendance of the chairs of those committees at its own meetings where such reports are to be dealt with.

Other aspects relating to its organisation and operation are subject to the provisions of the Committee's own Regulations. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

The most significant activities carried out by the Executive Committee in 2019 are detailed in section H of this Report.

AUDIT COMMITTEE

Name	Position	Category
Jaime Félix Caruana Lacorte	Chair	Independent
José Miguel Andrés Torrecillas	Member	Independent
Belén Garijo López	Member	Independent
Lourdes Máiz Carro	Member	Independent
Ana Cristina Peralta Moreno	Member	Independent

% of proprietary directors	0%
% of independent directors	100%
% of other external directors	0%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Audit Committee is to assist the Board of Directors in overseeing the preparation of the financial statements and public information, and the relationship with the external auditor and the Internal Audit area.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Audit Committee, approved by the Board on 29 April 2019, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board of Directors, the Audit Committee is entrusted with the following functions, inter alia:

In relation to overseeing the financial statements and public information:

- Oversee the process of preparing and reporting financial information and submit recommendations or proposals to the Board of Directors aimed at safeguarding the integrity thereof; and analyse, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as in all other required financial and related non-financial information.
- Oversee the effectiveness of the Company's internal control and risk management systems, in terms of the process of preparing and reporting financial information, including fiscal risks, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit, without undermining its independence.

In relation to the Internal Audit function:

- Propose to the Board the selection, appointment, re-election and removal of the head of the Internal Audit function; monitor the independence, effectiveness and functioning of the Internal Audit function; analyse and set objectives for the head of the Internal Audit function and assess his or her performance; ensure that the Internal Audit function has the necessary material and human resources; and analyse and, where appropriate, approve the annual work plan for the Internal Audit function.
- Receive monthly information from the head of the Internal Audit function regarding the activities carried out by the Internal Audit function, and regarding any incidents and obstacles that may arise, and verify that Senior Management takes into account the conclusions and recommendations of the reports; and also follow up on these plans.

- Be apprised of the audited units' degree of compliance with corrective measures previously recommended by Internal Audit and report to the Board on those cases that may involve a significant risk for the Group.

In relation to the external audit process:

- Submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as the hiring conditions of the external auditor, and to periodically obtain information from the external auditor on the external audit plan and its execution, in addition to preserving its independence in the performance of its functions.
- Ensure the independence of the auditor: (i) by avoiding that the auditor's warnings, opinions or recommendations may be adversely influenced, ensuring that compensation for the auditor's work does not compromise either its quality or independence; and (ii) by establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, agreement by the Committee will be required.
- Establish appropriate relations with the auditor in order to receive information on any matters that may jeopardise its independence and any other matters in connection with the auditing process.
- Where appropriate, authorise the provision of additional services other than prohibited services, by the auditor or associated persons or entities, the performance of which is required by applicable regulations in each case, under the terms provided for in auditing legislation.
- Issue, on an annual basis and before the audit report is issued, a report expressing an opinion on whether the auditor's independence has been compromised. This report must, in all cases, contain a reasoned assessment of the provision of each and every additional service referred to in the preceding paragraph, considered individually and collectively, other than the legal audit, and relating to the framework of independence or the regulations on audit activity.
- Ensure that the auditor holds an annual meeting with the full Board of Directors to inform it of the work undertaken and progress of the Company's risks and accounting situations.

The most significant activities carried out by the Audit Committee in the 2019 financial year, as well as its organisational and operational rules, are detailed in section H of this Report.

Identify the directors who are members of the Audit Committee and have been appointed on the basis of their knowledge and experience of accounting or auditing, or both, and specify the date on which the Chair of this Committee was appointed to the post.

Name of the directors with experience	Jaime Félix Caruana Lacorte José Miguel Andrés Torrecillas Belén Garijo López Lourdes Máiz Carro Ana Cristina Peralta Moreno
Date of appointment of the chair to the post	29 April 2019

APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
José Miguel Andrés Torrecillas	Chair	Independent
Belén Garijo López	Member	Independent
José Maldonado Ramos	Member	Other external
Juan Pi Llorens	Member	Independent
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Appointments and Corporate Governance Committee is to assist the Board of Directors in matters relating to the selection and appointment of members of the Board of Directors; the assessment of their performance; the drafting of succession plans; the Bank's Corporate Governance System; and the oversight of the conduct of directors and any conflicts of interest that may affect them.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Appointments and Corporate Governance Committee, approved by the Board on 29 April 2019, and notwithstanding any other duties assigned to it by law, by the Bank's internal regulations or by resolution of the Board of Directors, the Appointments and Corporate Governance Committee is entrusted with the following functions:

1) Submit proposals to the Board of Directors for the appointment, re-election or removal of independent directors and report on proposals for the appointment, re-election or removal of the remaining directors.

   To this end, the Committee will evaluate the balance of knowledge, skills and experience of the Board of Directors, as well as the conditions that the candidates must meet to cover the vacancies that arise, assessing the dedication of time considered necessary to adequately carry out their duties, in view of the needs of the corporate bodies at any given time.

   The Committee will ensure that selection procedures are not implicitly biased in such a way that may entail any kind of discrimination and, in particular, that may hinder the selection of directors of the underrepresented gender, endeavouring that directors of said gender who display the professional profile sought are included amongst potential candidates.

   The Committee, when drafting the corresponding proposals for the appointment of directors, will take into consideration, in case they may be considered suitable, any requests that may be made by any member of the Board of Directors regarding potential candidates to fill the vacancies that have arisen.

2) Propose to the Board of Directors the selection and diversity policies for members of the Board.

3) Establish a target for representation of the underrepresented gender on the Board of Directors and draw up guidelines on how to reach that target.

4) Analyse the structure, size and composition of the Board of Directors, at least once per year, when assessing its operation.

5) Analyse the suitability of the members of the Board of Directors.

6) Review the status of each director each year, so that this may be reflected in the Annual Corporate Governance Report.

7) Report on proposals for the appointment of Chairman and Secretary and, where appropriate, Deputy Chair and Deputy Secretary, as well as the Chief Executive Officer (Consejero Delegado).

8) Submit to the Board of Directors proposals for the appointment, removal or re-appointment of the Lead Director.

9) Determine the procedure for assessing the performance of the Chairman of the Board of Directors, the Chief Executive Officer, the Board of Directors as a whole and the Board committees, and oversee its implementation.

10) Report on the quality and efficiency of the performance of the Board of Directors.

11) Report on the performance of the Chairman of the Board of Directors and of the Chief Executive Officer, incorporating for the latter the assessment made in this regard by the Executive Committee, for the purpose of periodic assessment of both by the Board.

12) Examine and organise the succession of the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chair, in coordination with the Lead Director in the case of the Chairman of the Board, and, where appropriate, submit proposals to the Board of Directors to ensure that the succession takes place in an orderly and planned manner.

13) Review the Board of Directors' policy on the selection and appointment of members of the Senior Management, and submit recommendations with the Board when applicable.

14) Report on proposals for the appointment and removal of senior managers.

15) Regularly review and assess the Company's Corporate Governance System and, where applicable, submit proposals to the Board of Directors, for approval or subsequent submission to the General Shareholders' Meeting, on any amendments and updates that would contribute to its implementation and continuous improvement.

16) Ensure compliance with the provisions applicable to directors contained in the Regulations of the Board of Directors or in the applicable legislation, as well as with the rules relating to conduct on the securities markets, and inform the Board of these if it deems it necessary.

17) Report, prior to any decisions that may be made by the Board of Directors, on all matters within its remit as provided for by law, the Bylaws, the Regulations of the Board and these Regulations, and in particular on situations of conflict of interest of the directors.

The organisational and operational rules and most significant activities carried out by the Appointments and Corporate Governance Committee in 2019 are detailed in section H of this Report.

REMUNERATIONS COMMITTEE

Name	Position	Category
Belén Garijo López	Chair	Independent
Tomás Alfaro Drake	Member	Other external
Carlos Loring Martínez de Irujo	Member	Other external
Lourdes Máiz Carro	Member	Independent
Ana Cristina Peralta Moreno	Member	Independent

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Remunerations Committee is to assist the Board of Directors in remuneration matters within its remit and, in particular, those relating to the remuneration of directors, senior managers and those employees whose professional activities have a significant impact on the risk profile of the Group (the "Identified Staff"), ensuring observance of approved remuneration policies.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Remunerations Committee, approved by the Board on 29 April 2019, and notwithstanding any other duties assigned to it by law, by the Bank's internal regulations or by resolution of the Board of Directors, the Remunerations Committee broadly performs the following functions:

1) Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the remuneration policy for directors, and also submit its corresponding report, all in accordance with the terms established by applicable regulations at any given time.

2) Determine the remuneration of non-executive directors, as provided for in the remuneration policy for directors, submitting the corresponding proposals to the Board.

3) Determine the extent and amount of individual remunerations, rights and other economic rewards, as well as the remaining contractual conditions for executive directors, so that these can be contractually agreed, in accordance with the remuneration policy for directors, submitting the corresponding proposals to the Board of Directors.

4) Determine the objectives and criteria for measuring the variable remuneration of the executive directors and assess the degree of achievement thereof, submitting the corresponding proposals to the Board of Directors.

5) Analyse, where appropriate, the need to make ex-ante or ex-post adjustments to variable remuneration, including the application of malus or clawback arrangements for variable remuneration, submitting the corresponding proposals to the Board of Directors, prior report of the corresponding committees in each case.

6) Annually submit the proposal of the annual report on the remuneration of the Bank's directors to the Board of Directors, which will be submitted to the Annual General Shareholders' Meeting, in accordance with the provisions of the applicable law.

7) Propose to the Board of Directors the remuneration policy for senior managers and rest of Identified Staff. Likewise, oversee its implementation, including oversight of the process for identifying such employees.

8) Propose to the Board of Directors, and oversee the implementation of, the remuneration policy for the Group, which may include the policy for senior managers and other employees of the Identified Staff, stated in the previous paragraph.

9) Propose to the Board of Directors the basic contractual conditions for senior managers, including their remuneration and severance indemnity in the event of termination.

10) Directly oversee the remuneration of senior managers and determine, within the framework of the remuneration model applicable to Senior Management at any given time, the objectives and criteria for measuring variable remuneration of the heads of the Regulation and Internal Control function and of the Internal Audit function, submitting the corresponding proposals to the Board of Directors, on the basis of those submitted to it in this regard by the Risk and Compliance Committee and the Audit Committee, respectively.

11) Ensure observance of the remuneration policies established by the Company and review them periodically, proposing, where appropriate, any modifications deemed necessary to ensure, amongst other things, that they are adequate for the purposes of attracting and retaining the best professionals, that they contribute to the creation of long-term value and adequate control and management of risks, and that they attend to the principle of pay equity. In particular, ensure that the remuneration policies established by the Company are subject to internal, central and independent review at least once a year.

12) Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors.

13) Oversee the selection of external advisers, whose advice or support is required for the performance of their functions in remuneration matters, ensuring that any potential conflicts of interest do not impair the independence of the advice provided.

The organisational and operational rules and most significant activities carried out by the Remunerations Committee in 2019 are detailed in section H of this Report.

RISK AND COMPLIANCE COMMITTEE

Name	Position	Category
Juan Pi Llorens	Chair	Independent

José Miguel Andrés Torrecillas	Member	Independent
Jaime Félix Caruana Lacorte	Member	Independent
Carlos Loring Martínez de Irujo	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Risk and Compliance Committee is to assist the Board of Directors in the determination and monitoring of the Group's risk control and management policy, including risk internal control and non-financial risks, with the exception of those related to internal financial control, which are within the Audit Committee's remit; those related to technological risk, which are within the Technology and Cybersecurity Committee's remit; and those related to business and reputational risk, which are within the Executive Committee's remit. It will also assist the Board of Directors in the oversight of the Compliance function and the implementation of a risk and compliance culture in the Group.

In particular, in accordance with the powers conferred on it by Article 5 of the Regulations of the Risk and Compliance Committee approved by the Board on 29 April 2019, and without prejudice to any other functions assigned to it either by law, the Bank's internal regulations or attributed to it by decision of the Board of Directors, the Risk and Compliance Committee will have the following functions explained below, including also the actions carried out by the Committee to fulfil said functions:

1. *Analyse, on the strategic bases established either by the Board of Directors or the Executive Committee at any given time, and submit to the Board proposals regarding the strategy, control and management of the risks of the Group. These proposals will identify, in particular: (i) the Group's risk appetite; and (ii) the level of acceptable risk in terms of the risk profile and risk capital broken down into the Group's businesses and areas of activity. The proposals shall be analysed and submitted to the Board of Directors by the Committee on the basis of the strategic and financial approaches determined by both the Board of Directors and the Executive Committee.*

   With regard to the BBVA Group's Risk Appetite Framework for financial year 2019, the Risk and Compliance Committee has revised the proposal for risk statements, metrics and limits prior to its consideration and approval by the competent corporate bodies.

   Furthermore, in several of its meetings the Risk and Compliance Committee analysed and finally submitted proposals for the BBVA Group's Risk Appetite Framework for 2020 financial year, as well as an update to the BBVA Group's General Risk Management and Control Model. These were submitted to the Board of Directors for its consideration and, where appropriate, its approval, on the basis of the approach taken by the Executive Committee.

   On the other hand, during financial year 2019, the Risk and Compliance Committee reviewed reports on the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP), as well as proposals on statements of capital and liquidity adequacy, as legally required, in order to monitor the development of stress scenarios and verify their alignment with the approved Risk Appetite Framework. This review was carried out with assistance from the Risk and Finance areas, amongst others. This made it possible to ensure that these reports and proposals faithfully reflected the Group's situation in the areas analysed prior to them being submitted for consideration by the Executive Committee and the Board of Directors.

2. *Address, in a manner consistent with the Risk Appetite Framework established by the Board of Directors, the control and management policies for the different Group's risks, including financial risks, and, to the extent that they do not correspond to another Board Committee, non-financial risks, as well as internal control and reporting systems.*

The Risk and Compliance Committee has participated in the annual review and updating of the corporate risk management and control policies for the different risks of the Group, ensuring they are consistent with the Group's General Risk Management and Control Model.

The Risk and Compliance Committee also confirmed that the Model itself is adequate and that the Group has risk-management areas structured both at corporate level and in each geographical and/or business area, that function correctly and provide the Committee with the information required to understand the Group's risk exposure at all times, thus enabling the Committee to fulfil its monitoring, supervision and control functions.

3. *Supervise the effectiveness of the Regulation & Internal Control area (under whose direction the areas of Supervisors, Regulation and Compliance are included, as well as Internal Risk Control and Non-Financial Risks), which will report to the Board of Directors via the Committee, and in particular will: (i) propose to the Board of Directors the appointment and removal of the Head of Regulation & Internal Control; (ii) analyse and establish the objectives for the Head of Regulation & Internal Control, and carry out evaluation of their performance; (iii) ensure that Regulation & Internal Control has the material and human resources necessary for the effective performance of its functions; (iv) analyse and, where appropriate, approve the annual work plan for Regulation & Internal Control, as well as its modifications, and monitor compliance with it.*

The Risk and Compliance Committee has monitored the effectiveness of the Regulation & Internal Control area, in matters related to the Head of the area (e.g. appointment, setting objectives) and ensuring that the area has the resources necessary to carry out its functions.

Continued in section H of this Report.

TECHNOLOGY AND CYBERSECURITY COMMITTEE

Name	Position	Category
Carlos Torres Vila	Chair	Executive
Tomás Alfaro Drake	Member	Other external
Sunir Kumar Kapoor	Member	Independent
Juan Pi Llorens	Member	Independent
Jan Paul Marie Francis Verplancke	Member	Independent

% of executive directors	20%
% of proprietary directors	0%
% of independent directors	60%
% of other external directors	20%

Explain the duties assigned to this committee and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Technology and Cybersecurity Committee is to assist the Board of Directors in oversight technological risk and cybersecurity management and in monitoring the Group's technological strategy.

In particular, in accordance with the powers conferred on it by Article 5 of the Regulations of the Technology and Cybersecurity Committee approved by the Board on 29 April 2019, the Technology and Cybersecurity Committee will have the following functions, without prejudice to any other functions assigned to it by law, the internal rules of the Bank or by decision of the Board. These fall into two categories, as explained below, including the activities carried out by the Committee to fulfil the respective functions:

- Duties relating to oversight of technological risk and cybersecurity management, such as:

- Review the Group's exposures to the main technological risks, including the risks related to information security and cybersecurity, as well as the procedures adopted by the executive area to monitor and control such exposures.
- Review the policies and systems for the assessment, control and management of the Group's technological infrastructures and risks, including the response and recovery plans in the event of cyberattacks.
- Be informed of business continuity plans in matters of technology and technological infrastructure.
- Being informed, as appropriate, about: (i) compliance risks associated with information technology; (ii) the procedures established for identifying, assessing, overseeing, managing and mitigating these risks.
- Being informed about any relevant events that may have occurred with regard to cybersecurity, i.e. events that, either individually or as a whole, may cause significant impact or harm to the Group's equity, results or reputation.
- Being informed, as required, by the head of the Technological Security area regarding the activities it carries out, as well as any incidents that may arise.

To ensure compliance with these duties, the Technology and Cybersecurity Committee has performed the following activities:

- Review of the Group's exposure to technological risk: The Committee has reviewed the Bank's and the Group's exposure to the main technological risks, including risks relating to information security and cybersecurity, ensuring that the executive area is equipped with procedures for monitoring and controlling said exposures.
- Evaluation, control and management of risks: The Committee has monitored the Group's technological infrastructures and risks, and is informed of the cyberattack response and recovery plans, as well as the business continuity plans that affect the Group's main technological infrastructures.

  Furthermore, the Committee has been informed of the compliance risks associated with information technology, such as those derived from managing data with regard to the regulation on personal data protection and the new regulation on payment services, as well as the procedures established to identify, manage, control and, if necessary, mitigate these types of risks.
- Cybersecurity: The Committee has been informed of the Group's cybersecurity strategy and of the systems and tools that the Group possesses in this regard.

  Likewise, the Committee has been informed of any significant events that have occurred in relation to cybersecurity, including those that have directly affected the Bank or the Group's companies, as well as those that have affected important (national or international) entities or companies, so that the Committee is aware of the threats to which the Group is (or may be) exposed and of the technological defences that BBVA possesses at any time to combat possible attacks.
- Reports from the head of the Technological Security area: The Committee has been informed of the relevant events, projects, transactions, tasks and activity indicators affecting the Group's various cybersecurity programmes.

Continued in section H of this report.

C.2.2 Fill in the following table with information on the number of female directors sitting on the committees of the board of directors at the close of the last four financial years:

Number of female directors

	Financial year 2019		Financial year 2018		Financial year 2017		Financial year 2016	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	1	16.66%	1	16.66%	1	16.66%	1	16.66%
Audit Committee	3	60%	3	60%	2	40%	2	40%
Appointments and Corporate Governance Committee	2	40%	3	60%	2	40%	2	40%
Remunerations Committee	3	60%	3	60%	2	40%	1	20%
Risk and Compliance Committee	1	20%	1	20%	1	20%	1	20%
Technology and Cybersecurity Committee	-	-	-	-	-	-	-	-

C.2.3 Indicate, where applicable, if there are regulations for the board committees, where they can be consulted and any amendments made to them during the financial year. Indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board of Directors, at its meeting on 29 April 2019, approved amendments to the Regulations of the Board of Directors and to those of its committees. As a result, all Board committees have their own regulations with the following characteristics in common: (i) harmonised structure and content; (ii) the specific functions of the respective committee; and (iii) referral to the Regulations of the Board as regards the operation of the Committee in all matters not provided for in each set of Regulations. These are all available on the Bank's corporate website (www.bbva.com), under "Shareholders and Investors", "Corporate Governance and Remuneration Policy".

In particular, with regard to the Executive Committee, the Audit Committee, the Risk and Compliance Committee and the Technology and Cybersecurity Committee, the following changes were approved which resulted in new consolidated texts:

- The Executive Committee's delegated functions were specified and limited, and provides support to the Board in matters of strategy and finance and acts as a delegated body under the scope established in its Regulations. Furthermore, the framework for decision-making in relation to its various responsibilities was reflected in the Regulations, distinguishing between: (i) support functions to supporting the Board of Directors in decision-making; (ii) functions relating to the prior report on policies that are submitted for approval by the Board of Directors and approval of general policies; (iii) monitoring and control functions and (iv) decision-making functions on certain matters.

- The responsibilities of the Audit Committee have been modified to focus on those relating to oversight of the Bank's and the Group's financial information, to the relationship with the external auditor and to the Internal Audit function as the Group's third line of defence or "third layer of control". Responsibilities assigned to date relating to the areas of regulatory compliance and conduct of the directors were removed from the scope of this Committee.

- With regard to the Risk and Compliance Committee, all functions relating to the "second layer of control" are now included within its remit, with the exception of functions which fall within the remit of other committees in matters of internal financial control, technological risk and reputational and business risk. Matters relating to regulatory compliance and legal risk are also now included within this committee's remit. In addition, the Regulations also include a requirement that the Committee be composed exclusively of non-executive directors, with a majority of independent directors.

- With regard to the Technology and Cybersecurity Committee, technical improvements were incorporated into its Regulations.

Moreover, new Regulations were implemented for the Appointments and Corporate Governance Committee and the Remunerations Committee, as said Committees did not have their own regulations, with the following main changes being introduced:

- Functions relating to the corporate governance of the Company, such as the assessment of Board members' performance, succession plans and the periodic review of the Bank's corporate governance system, as well as those relating to the conduct of directors, are now included within the remit of the Appointments and Corporate Governance Committee.
- Some of the functions of the Remunerations Committee were reinforced as part of the development of the Bank's Corporate Governance System.

All of the committees of the Board of Directors, within the framework of the annual assessment process of their operation, have prepared and submitted a report to the Board of Directors detailing the activity carried out by each of them in the performance of their functions during 2019, which are explained in more detail in sections C.1.17 and C.2.1 above.

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure and competent bodies, if any, for approving related-party and intra-group transactions.

Procedure for approving related-party transactions
Article 17.1.e) (iii) of the Regulations of the Board of Directors provides that the Board is responsible for approving, where applicable, transactions carried out by the Bank or its Group companies with directors or shareholders who, individually or in concert with others, hold a significant interest, including shareholders represented on the Board of Directors of the Company or of other Group companies, or with persons linked to them, with the exceptions provided for by law. Moreover, Article 8.6 of the Regulations of the Board of Directors establishes that approval of the transactions conducted by the Company or by Group companies with directors, when these correspond to the Board of Directors, will be granted, where appropriate, prior report from the Audit Committee. The only exceptions to this approval will be transactions that simultaneously meet the three following specifications: (i) they are carried out under contracts with standard terms and are applied en masse to a large number of customers; (ii) they are executed at rates or prices set in general by the party acting as supplier of the goods or services; and (iii) they are worth less than 1% of the Company's annual revenues.

D.2 Detail transactions deemed to be significant for their amount or content carried out between the company or its group companies and the company's significant shareholders:

Name or corporate name of the significant shareholder	Name or corporate name of the company or group company	Nature of the relationship	Type of transaction	Amount (thousands of euro)

D.3 Detail any transactions deemed to be significant for their amount or content carried out between the company or its group companies and the directors or executives of the company:

Name or corporate name of the directors or executives	Name or corporate name of the related party	Relationship	Nature of the transaction	Amount (thousands of euro)

D.4 Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its objects and conditions.

In any event, provide information on any intra-group transactions with companies established in countries or territories considered tax havens:

Corporate name of the Group Company	Brief description of the transaction	Amount (thousands of euro)
BBVA GLOBAL FINANCE LTD.	Current account deposits	2,369
BBVA GLOBAL FINANCE LTD.	Term account deposits	6,053
BBVA GLOBAL FINANCE LTD.	Issue-linked subordinated liabilities	178,083

D.5 Detail any significant transactions between the company or its group companies and other related parties, which have not been listed in the previous entries.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euro)

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders.

Articles 7 and 8 of the Regulations of the Board of Directors regulate issues relating to possible conflicts of interest as follows:

Article 7

Directors must adopt necessary measures to avoid incurring in situations where their interests, whether on their own account or for that of others, may enter into conflict with the corporate interest and with their duties with respect to the Company, unless the Company has granted its consent under the terms established in applicable legislation and in the Regulations of the Board of Directors.

Likewise, they must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these are decisions relating to appointment or removal of positions on the management body.

Directors must notify the Board of Directors of any situation of direct or indirect conflict that they or parties related to them may have with respect to the Company's interests.

Article 8

The duty of avoiding situations of conflicts of interest referred to in the Article 7 above obliges the directors to refrain from, in particular:

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

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

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

- Taking advantage of the Company's business opportunities.

- Obtaining advantages or remuneration from third parties other than the Company and its Group, associated to the performance of their position, unless they are mere tokens of courtesy.

- Engaging in activities on their own account or on behalf of third parties that involve effective actual or potential competition with the Company or that, in any other way, bring them into permanent conflict with the Company's interests.

The above provisions will also apply should the beneficiary of the prohibited acts or activities described in the previous sections be a related party to the director. However, the Company may dispense with the aforementioned prohibitions in specific cases, authorising a director or a related party to carry out a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain an advantage or remuneration from a third party.

When the authorisation is intended to dispense with the prohibition against obtaining an advantage or remuneration from third parties, or affects a transaction whose value is over 10% of the corporate assets, it must necessarily be agreed by the General Shareholders' Meeting.

The obligation not to compete with the Company may only be dispensed with when no damage is expected to the Company or when any damage that is expected is compensated by the benefits that are foreseen from the dispensation. The dispensation will be conferred under an express and separate resolution of the General Shareholders' Meeting.

In other cases, the authorisation may also be resolved by the Board of Directors, provided that the independence of the members conferring it is guaranteed with respect to the director receiving the dispensation. Moreover, it will be necessary to ensure that the authorised transaction will not do harm to the corporate equity or, where applicable, that it is carried out under market conditions and that the process is transparent.

Approval by the Board of Directors of the transactions of the Bank or companies within its Group with directors will be granted, where appropriate, after receiving a report from the Audit Committee. The only exceptions to this approval will be transactions that simultaneously meet the three following specifications: 1) they are carried out under contracts with standardised terms and are applied en masse to a large number of customers; 2) they are executed at rates or prices set in general by the party acting as supplier of the goods or services; and 3) they are worth less than 1% of the Company's annual revenues.

Since BBVA is a credit institution, it is subject to the provisions of Spanish Law 10/2014 of 26 June, on the regulation, supervision and solvency of credit institutions, whereby the directors and general managers or similar positions may not obtain credits, collateral or guarantees from the Bank on whose board or management they work, above the limit and under the terms established in Article 35 of Royal Decree 84/2015, implementing Law 10/2014, unless expressly authorised by the Bank of Spain.

Continued in Section H of this report.

D.7 Are more than one of the Group's companies listed in Spain?

NO

Identify the other companies listed in Spain and their relationship with the company:

Identity and relationship with other listed Group companies

Indicate whether the respective areas of business and any potential relations between them, as well as any potential business relations between the other listed company and other group companies, have been publicly defined:

NO

Define any potential business relations between the parent company and the listed subsidiary company, and between the listed subsidiary company and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed company and other group companies:

Mechanisms to resolve potential conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Control and Management System, including risks of a tax-related nature.

The BBVA Group has a general risk management and control model (hereafter, the "Model") adapted to its business model, its organisation, its footprint and its Corporate Governance System. This allows the BBVA Group to operate within the framework of the control and risk management strategy and policy defined by the Bank's corporate bodies and to adapt to an ever-changing economic and regulatory environment, addressing risk management on a global level in a manner adapted to the circumstances at any moment.

This Model is applied comprehensively in the Group and is made up of the basic elements set out below:

I. Governance and organisation

II. Risk Appetite Framework

III. Evaluation, monitoring and reporting

IV. Infrastructure

Furthermore, the Group promotes the development of a risk culture that ensures consistent application of the Model within the Group, and that guarantees that the risk function is understood and internalised at all levels of the organisation.

The Model applies to the management and control of financial and non-financial risks of the Group, including tax risks, without prejudice that, on the tax scope, in addition to the management of this type of risk as a non-financial risk, BBVA has tax risk management policy based on an adequate control environment, a risk identification system and a monitoring process including continuous improvement of the effectiveness of the established controls. This management model is revised and assessed by an independent expert.

For more information on the basic elements of the Model, see "General risk management and control model" in the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2019.

E.2 Identify the corporate bodies responsible for drawing up and enforcing the Risk Control and Management System, including tax-related risks.

With regard to risks, the Board of Directors is responsible for determining the risk control and management policy and the oversight and control of its implementation.

In addition, and for a proper discharge of its functions, the Board of Directors is assisted by the Risk and Compliance Committee in the matters specified below. It is also assisted by the Executive Committee, which focuses on strategy, finance and business-related matters in an integrated manner, in order to monitor the Group's risks.

In particular, the Board of Directors establishes the Group's risk strategy and, in the discharge of this function, determines the risk control and management policy, which is set out in: the BBVA Group's Risk Appetite Framework—which includes the Group's risk appetite statement and a set of quantitative metrics originating from said statement that reflect the BBVA Group's risk profile—; the management policy framework for the different types of risk to which the Bank is or may be exposed; and the BBVA Group's risk control and management model.

Furthermore, it monitors the evolution of the BBVA Group's risks as well as the risks of each of its main geographical and/or business areas, ensuring their compliance with the BBVA Group's Risk Appetite Framework; also overseeing internal information and control systems.

At the executive level, the Head of Global Risk Management is responsible for managing all of the Group's financial risks and is responsible for ensuring, within the scope of functions, that the BBVA Group's risks are managed according to the established model.

For decision-making, the Head of Global Risk Management has a governance structure for the role that culminates in a support forum, the Global Risk Management Committee (GRMC), which is established as the main executive-level committee on the risks within its remit.

In addition, the Chief Risk Officers of the geographical and business areas report functionally to the Head of Global Risk Management and report operationally to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risk management function from the operating functions, and enable its alignment with the Group's risk-related corporate policies and goals.

With regard to non-financial risks and internal control, the Group has a Regulation & Internal Control area that is independent from the other units, and is responsible for proposing and implementing policies related to non-financial risks and the Group's internal control model. This area also includes, amongst others, the Non-Financial Risk, Regulatory Compliance and Internal Risk Control units.

For more information on the bodies responsible for risk management and control at BBVA, see "Governance and organization" in the "General risk management and control model" section under the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2019.

As far as tax risk is concerned, the Tax function of the BBVA Group is responsible for establishing the control mechanisms and internal rules necessary to ensure compliance with current tax regulations, as well as proposing the tax strategy to the Board of Directors for their consideration and approval, where appropriate. In addition, the Audit Committee is responsible for overseeing the tax risks in the process of preparation and presenting financial information, which is evidenced by the reports made by the Head of the BBVA Group's Tax function to the Committee.

E.3 Indicate the primary risks, including tax-related risks and, where significant, risk derived from corruption (the latter can be understood to be within the scope of Royal Decree Law 18/2017) that could prevent business targets from being met.

BBVA has processes to identify risks and analyse scenarios, enabling dynamic and advance risk management. These processes are forward-looking to ensure the identification of emerging risks, and take into account the concerns of both the business and corporate areas, as well as those of Senior Management.

Risks are identified and measured in a consistent manner and in line with methodologies that are considered adequate. Their measurement includes scenario analyses and stress testing, and considers the controls to which the risks are subject.

In this regard, there are a number of emerging risks that could impact the Group's business performance. These risks are organised into the following large blocks:

- Macroeconomic and geopolitical risks
- Regulatory and reputational risks
- Business, legal and operational risks

For more information on these risks, see "Risk factors" in the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2019, and "Other non-financial risks" chapter of the Non-Financial Information Statement, included in said Management Reports.

Likewise, amongst the possible crimes included in the criminal prevention model are those related to corruption and bribery, since there are a number of risks that could manifest in a company with characteristics such as those of BBVA. For more information on these, see "Other standards of conduct" in the "Compliance system" section, which is included in the "Ethical behaviour" chapter of the Non-Financial Information Statement in the individual and consolidated Management Reports for the 2019 financial year.

On the other hand, and not having the consideration of significant risk referred to in this section, the Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). Such investigation includes the provision of services by Cenyt to the Bank.

In relation to this, on 29th July 2019, the Bank was named as an official suspect (*investigado*) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could be constitutive of bribery, revelation of secrets and corruption.

Certain current and former officer and employees of the Group, as well as former directors have also been named as official suspects in connection with this investigation.

The Bank has been and continues to proactively collaborate with the Spanish judicial authorities, and has shared with the courts the relevant information from its on-going forensic investigation regarding its relationship with Cenyt.

The Bank has also testified before the judge and prosecutors at the request of Central Investigating Court No. 6 of the National High Court.

On 3 February 2020 the Bank was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting secrecy of the proceedings.

This criminal judicial proceeding is at a preliminary stage. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group's reputation caused thereby.

E.4 Identify whether the company has a risk tolerance level, including tax-related risks.

The Group's Risk Appetite Framework, approved by the corporate bodies, determines the risks (financial and non-financial risks, including tax risks) and the associated risk levels that the Group is prepared to assume to achieve its objectives, considering the organic development pattern of the business. These are expressed in terms of solvency, liquidity and funding, profitability and recurrence of revenue, which are reviewed not only periodically but also if there are any substantial changes in the Bank's business strategy or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk Appetite Statement: This contains the general principles of the Group's risk strategy and the target risk profile.

- Statements and core metrics: Derived from the appetite statement, these statements set out the general risk management principles in terms of solvency, liquidity and funding, profitability and income recurrence.

- Statement and metrics by type of risk: The general principles for managing each type of risk are established based on the core metrics and their thresholds for the risk in question. A series of metrics are also determined, and adherence to these ensures compliance with the core metrics and the Group's Risk Appetite Statement.

In addition to this Framework, there is a level of management limits that is defined and managed by the areas responsible for managing each type of financial and non-financial risk (including tax risks) in developing the structure of the metrics by type of risk. This is to ensure that anticipatory risk management respects this structure and, in general, the established Risk Appetite Framework.

Each significant geographical area has its own Risk Appetite Framework consisting of its local Risk Appetite Statement, core metrics and statements, statements and metrics by type of risk, which should be consistent with those set at the Group level, but adapted to their reality and approved by the corresponding corporate bodies of each entity. This Appetite Framework has a limit structure in line and consistent with the above.

The corporate risk area works together with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into the Group's Risk Appetite, making sure that its profile is in line with the one defined. Also, for local monitoring purposes, the Chief Risk Officer for the geographical area and/or business area will periodically report on the evolution of the local Risk Appetite Framework metrics to their corporate bodies, as well as, where appropriate, to the appropriate local top-level committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

For more information on the Risk Appetite Framework described above and on its monitoring and management integration, see "Risk Appetite framework" in the "General Risk management and control model" section within the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2019.

E.5 State what risks, including tax-related risks, have occurred during the financial year.

Risk is inherent to financial activity and, therefore, the occurrence of risks in minor or major measure is an inseparable part of the Group's activities. BBVA therefore offers detailed information on the evolution of risks which, by their nature, continuously affect the Group in carrying out its activity. This information is provided in its annual financial statements (notes 7 and 19 on risk management and tax risks, respectively, in the BBVA Group's Consolidated Annual Financial Statements; and notes 5 and 17 on the same subject matters, in the BBVA Group's Individual Annual Financial Statements, both for financial year 2019) and in the individual and consolidated management reports, both for financial year 2019 ("Risk management" chapter and "Other non-financial risks" chapter of the Non-Financial Information Statement).

E.6 Explain the response and oversight plans for the primary risks faced by the company, including tax-related risks, and the procedures followed by the company to ensure that the Board of Directors responds to any new challenges.

The BBVA Group's internal control system for operational risks is based on the best practices developed both in the COSO (Committee of Sponsoring Organizations of the Treadway Committee) "Enterprise Risk Management – Integrated Framework" and in the "Framework for Internal Control Systems in Banking Organisations" drawn up by the Basel Bank for International Settlements (BIS).

The control model has a system comprising three lines of defence:

- The Group's business and support units constitute the first line of defence. They are responsible for primary management of current and emerging risks, and implementing control procedures for risk mitigation. They are also responsible for reporting to their business/support unit.

- The second line of defence is comprised of specialised control units in different areas of risk: Compliance, Legal, Finance, People, Physical security, Technological security, Information and Data Security, Suppliers, Internal Risk Control and Processes. This line defines the control policies in its specialist field, across the entire Entity, and provides training to areas exposed to risk. It also contrasts the identification of current and emerging risks carried out by the different business and support units, and assesses the adequacy and effectiveness of the control environments implemented by them.

  With regard to operational risk, the control activity for the first and second lines of defence will be coordinated by the Non-Financial Risks unit, which will also be responsible for providing these units with a common internal control methodology and global tools. The Group's Head of Non-Financial Risks is responsible for the function and, together with the Head of Compliance and the Head of Internal Risk Control, reports its activity to the Head of Regulation & Internal Control and to the Board's Risk and Compliance Committee, assisting the latter in any matters where requested.

- The third line of defence is made up of the Internal Audit unit, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is configured as an independent and objective activity of evaluation of the first and second lines of defence. It evaluates the efficiency and effectiveness of the internal control and risk management policies and systems and of the processes and policies established by the Group.

As part of the second line of defence, the Group has a specific Internal Risk Control Unit, within the area of Regulation & Internal Control, which, independently, performs, among other tasks, the contrast and control of financial risk regulation and governance structure and its application and operation in the area of Global Risk Management, as well as the contrast of the development and implementation of financial risk management and control processes. It is also responsible for the validation of risk models.

The Group's Head of Internal Risk Control is responsible for the function, proposes its work plan to the Head of Regulation & Internal Control and to the Risk and Compliance Committee, providing them with the necessary information to monitor the activity plans proposed. Moreover it assists the Risk and Compliance Committee it in any matters where requested.

In addition, the internal risk control function is global and transversal, covering all types of financial risks and having specific units in all geographical and/or business areas, with functional dependency on the Group's Head of Internal Risk Control.

As far as tax risk is concerned, the Tax Department, located within the Finance area, is responsible for establishing the policies and controls necessary to ensure compliance at all times with the current tax regulations and the tax strategy approved by the Board of Directors. Internal Financial Control, as a second line of defence against financial, accounting and tax risks, is the area responsible for assessing the quality of the design and effectiveness of the control model operating in tax processes, as detailed in section F of this document.

Finally, in order to meet the new challenges that arise, the BBVA Group has a governance system that allows the Board of Directors to be informed of the real and potential risks that affect or may affect the Group at any time. Thus, in addition to the work carried out by the Bank's different areas of control (Risk, Regulation & Internal Control and Internal Audit), as well as other areas of the Bank, such as the legal and tax areas; and the corresponding Board committees (such as the Risk and Compliance Committee or Audit Committee), there is also the prospective monitoring and supervision carried out by the Technology and Cybersecurity Committee. Its work allows the Board of Directors to be informed of the main technological risks to which the Group is exposed – including those relating to information security risks, information technology compliance risks, and cybersecurity risks – as well as current technology strategies and trends, and relevant cybersecurity events affecting the Group or which might affect it in the future, among other functions.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in your entity.

F.1 The entity's control environment

Give information on the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation and (iii) its supervision.

Pursuant to Article 17 of its Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a listed company. The Board of Directors has an Audit Committee whose main task, among others, is to assist the Board in overseeing the preparation of financial statements and public information, as well as monitoring internal financial control.

In this regard, the Regulations of BBVA's Audit Committee establish that one of the Committee's functions is to oversee the effectiveness of the Company's internal control and the risk management systems in the process of drawing up and presenting financial information, including tax risks, as well as discussing with the external auditor the significant weaknesses of the internal control system detected during the audit.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act ("SOX") for each financial year's consolidated annual financial statements due to its status as a publicly traded company listed with the United States Securities Exchange Commission ("SEC"). The main Group executives are involved in the design, compliance and maintenance of an effective internal control model that guarantees the quality and veracity of the financial information. The Finance area has been responsible during 2019 for producing the consolidated annual financial statements and maintaining the control model for financial information generation. Specifically, this function is performed by the Financial Internal Control area, which is integrated within the Group's general internal control model, which is outlined below.

In 2019, the BBVA Group strengthened its internal control model, which comprise two key elements. The first element is the control structure, organised into three lines of defence, as described in section E.6 above, and the second is a governance scheme known as Corporate Assurance, which establishes a framework for overseeing the internal control model and for escalating the main issues relating to internal control within the Group to Senior Management.

The Corporate Assurance model (in which the business areas, support areas and the areas specialising in internal control participate), is organised into a system of committees that analyse the most relevant issues related to internal control in each geographical area, with the participation of the country's top managers. These committees report to the Group's Global Committee, chaired by the Chief Executive Officer with the assistance of the main global executives responsible for the business and control areas.

The effectiveness of this internal control system is assessed periodically for those risks that may affect the correct preparation of the Group's financial statements. The assessment is coordinated by the Internal Financial Control area and involves control specialists from business and support areas. The Group's Internal Audit area also performs its own assessment of the internal control system with regard to the generation of financial information. In addition, the external auditor of the BBVA Group issues an opinion every year on the effectiveness of internal control over financial reporting based on criteria established by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in accordance with PCAOB (the US Public Company Accounting Oversight Board) standards. This opinion appears in Form 20-F, which is filed every year with the SEC.

The result of the annual internal assessment of the System of Internal Control over Financial Reporting, carried out by Internal Audit and Internal Financial Control, is reported to the Audit Committee by the heads of Internal Financial Control.

F.1.2. Whether, especially in the process of drawing up financial information, the following elements exist:

• Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

Financial information is produced in the local Finance Departments of the BBVA Group banks in the different countries where it operates. The consolidation work is carried out in the Corporate Centre, in the Finance Department, which has overall responsibility for the preparation and disclosure of the Group's financial and regulatory information.

BBVA's organisational structure clearly defines lines of action and responsibility for the areas involved in the generation of financial information, both at the individual entity level and consolidated Group level, and also provides the channels and circuits necessary for the proper disclosure thereof, as well as a procedure for the disclosure of the annual accounts. The units responsible for drawing up these financial statements have a suitable distribution of tasks and the necessary segregation of functions to draw up these statements in an appropriate operational and control framework.

Additionally, there is an accountability model aimed at extending the culture of internal control, and commitment with its compliance. Those in charge of the design and operation of the processes that have an impact on financial reporting certify that all the controls associated with its operation under their responsibility are sufficient and have worked correctly.

• Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions of recording transactions and drawing up financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct that is approved by the Board of Directors and reflects BBVA's specific commitments with regard to one of the principles of its Corporate Culture: Integrity in the consideration and undertaking of its business. This Code likewise establishes the corresponding whistleblowing channel regarding possible infringements of the Code. It is the subject of training and refresher programmes, including key personnel in the financial function.

Following the update to the Code in 2015, communication campaigns to share its new content have been in place since 2016, making use of new formats and digital channels. In addition, a training plan has been developed at a global level, reaching the entire workforce of the Group.

The Code of Conduct can be accessed on the Bank's website (www.bbva.com) and on the employees' website (Intranet). Additionally, Group members undertake personally and individually to observe its principles and rules in an express declaration of awareness and adhesion.

One of the functions of the Risk and Compliance Committee is to examine draft codes of ethics and conduct and their respective modifications prepared by the corresponding area of the Group, and give its opinion in advance of the proposals to be submitted to the Corporate Bodies.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable). Their joint scope of action covers all the Group businesses and activities and their main duty is to ensure effective application of the Code of Conduct. There is also a Corporate Integrity Management Committee, whose scope of responsibility extends throughout BBVA. The main mission of this committee entails ensuring uniform application of the Code in BBVA.

The Compliance Unit in turn independently and objectively promotes and supervises that BBVA acts with integrity, particularly in areas such as money-laundering prevention, conduct with clients, security market conduct, corruption prevention, and other areas that could entail a reputational risk for BBVA. The unit's duties include fostering the knowledge and application of the Code of Conduct, promoting the drafting and distribution of its implementing standards, assisting in the resolution of any concern that may arise regarding the interpretation of the Code, and managing the Whistleblowing Channel.

• Whistleblowing channel, which allows financial and accounting irregularities to be communicated to the audit committee, as well as possible breaches of the code of conduct and irregular activities in the organisation, reporting where applicable if this is confidential in nature.

Preservation of the Corporate Integrity of BBVA transcends merely personal accountability for individual actions, it calls for all employees to have zero tolerance for activities that do not comply with the Code of Conduct or that could harm the reputation or good name of BBVA. This attitude is reflected in everyone's commitment to whistle-blowing, by timely communication, of situations that, even when unrelated to their activity or area of responsibility, could be infringe regulations or contradict the values and guidelines of the Code.

The Code of Conduct itself establishes the communication guidelines to follow and contemplates a Whistleblowing Channel, guaranteeing the duty of discretion of reporting parties, the confidentiality of the investigations and the prohibition of retaliation or adverse consequences in light of communications made in good faith.

Telephone lines and email inboxes have been set up in each jurisdiction for these communications, available on the Group Intranet.

As described in the previous section, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable), whose joint scope of action covers all the Group businesses and activities and whose functions and responsibilities (explained in greater detail in their corresponding regulations) include:

- Driving and monitoring global initiatives to foster and promote a culture of ethics and integrity among members of the Group.
- Ensuring the uniform application of the Code.
- Promoting and monitoring the functioning and effectiveness of the Whistleblowing Channel.
- In cases where they are not already included among the members of the Committee, informing Senior Management and/or the person responsible for preparing the financial statements of any events and circumstances from which significant risks might arise for BBVA.

In addition, the Risk and Compliance Committee supervises and controls the proper functioning of the Whistleblowing Channel, receiving periodic reports from the Compliance unit.

• Periodic training and refresher courses for employees involved in preparing and revising financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

The Finance area has a specific programme of courses and seminars, run in both its face-to-face and virtual campus, which complement the general training of all employees of the BBVA Group, in accordance to their functions and responsibilities. Specific training and periodic refresher courses are provided on accounting and tax regulations, internal control and risk management, particularly for teams in the areas involved in preparing and reviewing the financial and tax-related information and in evaluating the internal control system, to help them perform their functions correctly. These courses are taught by professionals from the area and renowned external providers.

Additionally, the BBVA Group has a personal development plan for all employees, which forms the basis of a personalised training programme to deal with the areas of knowledge necessary to perform their functions.

F.2 Financial reporting risk assessment

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

• Whether the process exists and is documented.

The ICFR was developed by the Group Management in accordance with international standards set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), which establishes five components on which the effectiveness and efficiency of internal control systems must be based:

- Establishing an adequate control environment for monitoring all these activities.
- Assessing the risks that may be incurred by an entity in drawing up its financial information.
- Designing the necessary controls to mitigate the most critical risks.
- Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.
- Monitoring such controls to ensure that they are operational and to guarantee their effectiveness over time.

In order to identify the risks with a greater potential impact on the generation of financial information, the processes through which such information is generated are analysed and documented, and an analysis of the risks, errors or inaccuracies that may arise in each is later conducted.

Based on the corporate internal control methodology, the risks are categorised by type, including process errors and fraud, and their probability of occurrence and possible impact are analysed.

The process of identifying risks in the preparation of Financial statements, including risks of error, falsehood or omission, is carried out by the first line of defence: those responsible for each of the processes that contribute to the preparation of financial information and those responsible for control. This risk identification is performed taking into account the theoretical risk model and the mitigation and control framework previously defined by the second line of defence, which, in the case of Finance, is the Internal Financial Control unit (tax and financial reporting risk specialist), who, in turn, challenges the functioning and effectiveness of the controls implemented.

The scope of the periodic assessment –annual, quarterly or monthly- of their controls is determined based on the significance of the risks, thus ensuring coverage of the risks considered critical for the financial statements.

The assessment of the aforementioned risks and the design and effectiveness of their controls begins with the understanding and knowledge of the analysed operating process, considering criteria of quantitative materiality, likelihood of occurrence and economic impact, in addition to qualitative criteria associated with the type, complexity and nature of the risks or of the business or process structure itself.

The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, changes in operating processes, the regulations applicable at all times, the risks affecting them and the controls that mitigate them.

All this is documented in a corporate management tool developed and managed by the Non-Financial Risk area (STORM). This tool documents all the risks and controls, by process, which are managed by the different risk specialists, including the Financial Internal Control unit.

• Whether the process covers all of the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and how frequently.

Each of the processes identified in the BBVA Group for drawing up financial information aim to record all financial transactions, value the assets and liabilities in accordance with applicable accounting regulations and provide a breakdown of the information in accordance with regulatory requirements and market needs.

The financial information control model analyses each of the phases of the processes mentioned above (from procedural governance, documentation, criteria setting, decision making, information provision, application operation, monitoring information generated, and reporting), in order to ensure that the identified risks are adequately covered by controls that operate efficiently. The control model is updated when changes arise in the relevant processes for producing financial information.

• The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, or instrumental or special purpose vehicles.

The Finance area includes a department responsible for the Group's financial consolidation, which carries out a monthly process of identification, analysis and updating of the perimeter for the Group's consolidated companies.

In addition, the information from the consolidation department on new companies set up by the Group's different units, and the changes made to existing companies, is compared with the data analysed by a specific committee at corporate level, whose function is to analyse and document the changes in the composition of the corporate group (Corporate Structure Committee - CES).

In addition, the Finance area of the Bank, in controlling special purpose entities, makes a periodic report to the Audit Committee on the structure of the Group of companies.

• Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental etc.) insofar as they impact the financial statements.

The model of internal control over financial reporting applies not only to processes for directly drawing up such financial information but also to all operational or technical processes that could have a relevant impact on the financial, accounting, tax-related or management information.

As mentioned above, the Group has an internal control model coordinated by the Regulation & Internal Control area, which uses a single methodology to assess of all the Group's Non-Financial Risks (mainly operational, technological, financial, legal, tax-related, reputational, third party and compliance). All the specialist risk areas and control assurers use a common tool (STORM) to document the identification of the risks, the controls that mitigate those risks and the assessment of their effectiveness.

There are control assurers in all the operational or support areas, and therefore any type of risk that may affect the Group's operations is analysed under that methodology and is included in the ICFR insofar as it may have an impact on the financial information.

• Which of the entity's governing bodies supervises the process.

The process for identifying risks and assessing the design, effectiveness and suitability of the controls for generating financial information is documented at least once a year, and is overseen by the Internal Audit area.

Moreover, the Group's head of Internal Financial Control reports annually to the Audit Committee on analysis work that has been carried out, on the conclusions of the assessment of the control model relating to the generation of financial information, and on the process for downstream certification of the effectiveness of the control model. This process is undertaken by the financial officers of the main entities and holding control specialists. This work follows the SOX methodology in compliance with the legal requirements, under the regulation, on systems of internal control over financial reporting, and is included in Form 20-F, submitted annually to the SEC, as indicated in point F.1 above.

F.3 Control activities

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorisation of financial information and the description of the ICFR, to be published on the stock markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

All of the processes relating to the generation of financial information are documented, as is the corresponding control model, including potential risks associated with each process and the controls put in place to mitigate them. As explained in section F.2.1, the aforementioned risks and controls are recorded in the corporate tool STORM, which also includes the result of the assessment of the operation of the controls and the degree of risk mitigation.

In particular, the main processes relating to the generation of financial information are found in the Finance area, and they are: accounting, consolidation, financial reporting, financial planning and monitoring, and financial and tax management. The analysis of these processes, their risks and their controls is also supplemented by that of all other critical risks that may have a financial impact from business areas or other support areas.

In the aforementioned review procedures, special attention is paid, from a control point of view, to the financial and tax-related information disseminated to the securities markets, including the specific review of controls on relevant judgements, estimates and projections used in the preparation of the above-mentioned information.

As noted in the annual financial statements, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income, expenses and commitments should be recorded. These estimates are mainly related to:

- The value corrections of certain financial assets.
- The assumptions used to quantify certain provisions and in the actuarial calculation of liabilities and commitments for post-employment and other obligations.
- The useful life and impairment losses of tangible and intangible assets.
- The appraisal of goodwill and assignments of the price paid in business combinations.
- The fair value of certain unlisted assets and liabilities.
- The recoverability of deferred tax assets.

These estimates are made based on the best information available on the closing date of the financial statement and, together with other relevant issues for the closing of the annual and six-monthly financial statements, are analysed and authorised by a Technical Committee.

F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to drawing up and publishing financial information.

The Group's current internal control model has expanded the catalogue of technological risks managed as non-financial risks to three distinct categories:

- ✓ Physical Security: covers risks from inadequate management of the physical security of assets (including technology) and individuals due to the damage and deterioration of such assets.
- ✓ Technological Security: covers risks from inadequate management of technology changes, IT system failures, low availability and IT performance risk, IT system integrity risk, application tampering fraud, and logical impersonation.

- ✓ Information and Data Security: covers risks from unauthorised access, modification or destruction of data infrastructure, loss, theft or misuse of information and cyberattacks that affect the privacy, confidentiality, availability, and integrity of information.

The internal control models therefore include procedures and controls regarding the operation of information and access security systems, the segregation of functions, and the development and modification of computer applications used to generate financial information.

Both types of control are identified in the model of internal control over financial reporting and are analysed and assessed periodically, in order to guarantee the integrity and reliability of the information drawn up.

With all these mechanisms, the BBVA Group can confirm that adequate management of access control is maintained, the correct and necessary steps are taken to put applications into production as well as ensuring their subsequent support, the creation of backup copies, and assurance of continuity in the processing and recording of operations.

In summary, the entire process of preparing and reporting financial information has established and documented the procedures and control models for technology and IT systems necessary to provide reasonable assurance of the correctness of the BBVA Group's public financial information.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties and those aspects of evaluation, calculation and assessment outsourced to independent experts which may materially impact the financial statements.

The internal control model sets out specific controls and procedures for the management of subcontracted activities or those aspects of evaluation, calculation and assessment of assets or liabilities outsourced to independent experts.

There is a specialist area of risk arising in operations with third parties ("third party"), a regulation and a committee for non-financial operational risk admission, which includes outsourcing-related matters and establishes and supervises the requirements to be fulfilled at the Group level for the activities to be subcontracted.

There are procedural manuals for the outsourced financial processes that identify the procedures to be followed and the controls to be applied by the service provider units and outsourcing units. The controls established in the outsourced processes concerning the generation of financial information are also tested by the Internal Financial Control area.

The valuations from independent experts used for matters relevant for generating financial information are included within the standard circuit of review procedures executed by internal control, internal auditing and external auditing.

F.4 Information and communication

Give information on the main features, if at least the following exist:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policy department or area) and resolving queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organisation, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The organisation has two Technical Committees: one for Accounting and one for Capital. The purpose of these committees is to analyse, study and issue standards that may affect the compilation of the Group's financial and regulatory information, to determine the accounting and solvency criteria required to ensure that transactions are booked correctly, and to calculate capital requirements within the framework of the applicable standards.

The Group also has an Manual for Accounting Policies, which is updated and made available to all Group units by means of the Intranet. This Manual is the tool that guarantees that all the decisions related to accounting policies or specific accounting criteria to be applied in the Group are supported and are standardised. It is approved by the Technical Accounting Committee and is documented and updated for use and analysis by all the Group's entities.

F.4.2. Mechanisms to capture and prepare financial reporting in standardised formats, for application and use by all of the units of the entity or the group, that support the main financial statements and the notes, and the detailed information on ICFR.

The BBVA Group's Finance area and the countries' financial management units are responsible for the processes for preparing financial statements in accordance with the current accounting and consolidation manuals. There is also a consolidation computer application that collects the accounting information of the various companies within the Group and performs the consolidation processes, including the standardisation of accounting criteria, aggregation of balances and consolidation adjustments.

Control measures have also been implemented in each of the aforementioned processes, both locally and at consolidated level, to ensure that all the data supplying the financial information is collected in a comprehensive, exact and timely manner. There is also a single and standardised financial reporting system that is applicable to and used by all the Group units and supports the main financial statements and the explanatory notes. There are also control measures and procedures to ensure that the information disclosed to the markets includes a sufficient level of detail to enable investors and other users of the financial information to understand and interpret it.

F.5 Supervision of the system's operation

Give information on the key features of at least:

F.5.1. The ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function with powers that include providing support to the audit committee in its task of supervising the internal control system, including the ICFR. Likewise, information will be given on the scope of the ICFR assessment carried out during the financial year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on financial reporting has been considered.

The internal control units of the business areas and of the support areas conduct a preliminary assessment of the internal control model, assess the risks identified in the processes, the effectiveness of controls, and the degree of mitigation of the risks, as well as identifying weaknesses, and designing, implementing and monitoring the mitigation measures and action plans.

The first assessment of the effectiveness of the controls should be carried out by the RCA (Risk Control Assurer). Later it is the RCS (Risk Control Specialist –second line of defence-) who must challenge the design and operation of the controls in order to issue a conclusion on the operation of the control model on the risks covered by its field of expertise.

BBVA also has an Internal Audit unit that supports the Audit Committee with regard to the independent supervision of the internal financial information control system. The Internal Audit function is entirely independent of the units that draw up the financial information.

All the weaknesses in controls, mitigation measures and specific action plans are documented in the corporate tool STORM and submitted to the internal control and operational risk committees of the areas, as well as to the local or global Corporate Assurance Committees, based on the significance of the detected issues.

In summary: both the weaknesses identified by the internal control units and those detected by the internal or external auditor have an action plan in place to correct or mitigate the risks.

During the 2019 financial year, the areas responsible for Internal Control conducted a full assessment of the system for internal control over financial reporting, and, to date, no material or significant weakness have been revealed therein affecting the drawing up of financial information.

Additionally, in compliance with the SOX, the Group's Internal Control and Internal Auditing areas annually assesses the effectiveness of the model of internal control over financial reporting on a group of risks (within the perimeter of SOX companies) that could affect the drawing up of financial statements at local and consolidated levels. This perimeter incorporates risks and controls in Finance and other specialisms that are not directly financial (technology, risks, operational processes, human resources, procurement, legal, etc.). The results of this assessment are reported annually to the Audit Committee.

F.5.2. Whether there is a discussion procedure via which the auditor (in line with the auditing technical standards), the internal audit function and other experts can inform senior management and the audit committee or the entity's directors of significant weaknesses in the internal control encountered during the review processes for the annual financial statements or any others within their remit. Also provide information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

As described in section F.5.1 above, the Group has a procedure in place whereby the internal auditor and the heads of Internal Financial Control report to the Audit Committee any significant internal control weaknesses detected in the course of their work. Any significant or material weaknesses, if present, will likewise be reported. Similarly, there is a procedure whereby the external auditor reports to the Audit Committee the result of their work assessing the system for internal control over financial information.

Since BBVA is listed with the SEC, the BBVA Group's auditor annually issues its opinion on the effectiveness of the internal control over financial reporting contained in the Group's consolidated annual financial statements on 31 December each year, under PCAOB (Public Company Accounting Oversight Board) standards, with a view to filing the financial information with the SEC on Form 20-F. The latest report issued on the financial information for the 2018 financial year is available on www.sec.gov and www.bbva.com.

All control weaknesses identified by the Internal Control, Internal Audit and external audit areas have an action plan for their resolution that is also presented to the Audit Committee.

The internal control oversight carried out by the Audit Committee, described in the Audit Committee Regulations published on the Group website, www.bbva.com, includes the following activities:

- Analyse, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as in all other required financial information and related non-financial information. For this purpose, the Committee will have the support it needs from the Group's Senior Management especially that of the area responsible for accounting functions, and from the Company and Group auditor, as well as all the necessary information made available to it with the level of aggregation deemed appropriate.

- Review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.

- Monitor the effectiveness of the Company's internal control as well as its risk management systems, in terms of the process of preparing and reporting financial information, including tax-related risks, and discuss with the auditor any significant weaknesses detected in the internal control system during the audit, without undermining its independence. For such purposes, and where appropriate, the Committee may submit recommendations or proposals to the Board of Directors, along with the deadline for their follow-up.

- Analyse and, where appropriate, approve the annual work plan for the Internal Audit area, as well as any other occasional or specific plans to be implemented as a result of regulatory changes or as required for organisation of the Group's business.

- Be apprised of the audited units' degree of compliance with corrective measures previously recommended by the Internal Audit area and inform the Board of those cases that may involve a significant risk for the Group.

The external auditor and the head of Internal Audit attend all regular meetings of the Audit Committee to report on and, where appropriate, find out about the matters discussed within their respective remits.

F.6 Other relevant information

F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor for review, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

The information related to the BBVA Group's internal control over financial reporting described in this report is reviewed by the external auditor, which issues its opinion on the control system and on its effectiveness in relation to the accounts published at the close of each financial year.

On 28 March 2019, the BBVA Group, as a private foreign issuer in the United States, filed the Annual Report (Form 20-F) for the financial year ending on 31 December 2018, which was published on the SEC website on that same date.

In accordance with the requirements set out in Section 404 of the Sarbanes-Oxley Act of 2002 by the Securities and Exchange Commission (SEC), the aforementioned Annual Report Form 20-F, included certification of the top executives in the Group with regard to the establishment, maintenance and assessment of the Group's system of internal control over financial reporting. The Form 20-F report also included the opinion of the external auditor regarding the effectiveness of the Company's internal control system over financial reporting at the close of the 2018 financial year.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

If any recommendations are not being followed or are only being followed in part, a detailed explanation of the reasons for this should be given so that shareholders, investors and the market in general have sufficient information to assess the actions of the company. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

COMPLIANT

2. When a parent and subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

NOT APPLICABLE

3. During the annual general meeting the chairman of the Board of Directors should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes that have taken place since the previous annual general meeting.

b) The specific reasons for the company not following a given Corporate Governance Code recommendation, and any alternative procedures followed in its stead.

COMPLIANT

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

COMPLIANT

5. The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a Board of Directors approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

PARTIALLY COMPLIANT

The General Shareholders' Meeting held on 17 March 2017 delegated to the Board of Directors a power to increase share capital and issue convertible securities, along with the power to wholly or partially exclude pre-emptive subscription rights in respect of capital increases and issues of convertible securities carried out using such delegated power. The power to exclude pre-emptive subscription rights is limited, overall, to 20% of share capital as of the time of the delegation, except for the issuance of contingently convertible securities, the conversion of which is intended to meet regulatory solvency requirements as to eligibility as capital instruments in accordance with applicable regulations, since such instruments do not dilute the interests of shareholders.

6. Listed companies that draft the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the Ordinary General Meeting, even when their publication is not mandatory:

a) Report on auditor independence.

b) Reports on the operation of the audit committee and the appointments and remuneration committee.
c) Audit committee report on related-party transactions.

d) Report on corporate social responsibility policy.

COMPLIANT

7. The company should broadcast its general shareholders' meetings live on its website.

COMPLIANT

8. The audit committee should ensure that the Board of Directors can present the company's accounts to the general shareholders' meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chair of the audit committee and the auditors should give a clear account to shareholders of the scope and content of such limitations or qualifications.

COMPLIANT

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend the general shareholders' meeting and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

COMPLIANT

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general shareholders' meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the attendance card template and proxy appointment or remote voting form, duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

NOT APPLICABLE

11. In the event that a company plans to pay for attendance at the general shareholders' meeting, it should first establish a general, long-term policy in this respect.

NOT APPLICABLE

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided by corporate interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

COMPLIANT

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

COMPLIANT

14. The Board of Directors should approve a director selection policy that:

a) Is concrete and verifiable;

b) Ensures that appointment or re-appointment proposals are based on a prior analysis of the needs of the Board of Directors; and

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of the needs of the Board of Directors should be contained in the supporting report from the Appointments Committee published upon the calling of the General Shareholders' Meeting at which the appointment or re-appointment of each director is to be submitted for ratification.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors by 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

COMPLIANT

15. Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

COMPLIANT

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.

COMPLIANT

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of board places.

COMPLIANT

18. Companies should disclose the following director particulars on their websites and keep them up to date:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Date of their first appointment as a board member and subsequent re-appointments.

e) Shares held in the company, and any options on the same.

COMPLIANT

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital, and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others at whose request proprietary directors were appointed.

NOT APPLICABLE

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

NOT APPLICABLE

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a report from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

COMPLIANT

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the company's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of Directors of any criminal charges brought against them and any subsequent legal proceedings.

The moment a director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board of Directors should give a reasoned account of all such determinations in the annual corporate governance report.

COMPLIANT

23. Directors should express their clear opposition when they feel a proposal submitted to the Board of Directors might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the Board of Directors makes material or repeated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the Board of Directors, even if he or she is not a director.

COMPLIANT

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board of Directors. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

COMPLIANT

25. The appointments committee should ensure that non-executive directors have sufficient time available to fulfil their responsibilities effectively.

The regulations of the Board of Directors should lay down the maximum number of company boards on which directors can serve.

COMPLIANT

26. The Board of Directors should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the financial year, to which each director may propose the addition of initially unscheduled items.

COMPLIANT

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

COMPLIANT

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

COMPLIANT

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

COMPLIANT

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

COMPLIANT

31. The agendas of board meetings should clearly indicate on which points the Board of Directors must arrive at a decision, so that directors can study or gather together the information they need beforehand.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

COMPLIANT

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

COMPLIANT

33. The chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and co-ordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

COMPLIANT

34. When a Lead Director has been appointed, the bylaws or regulations of the Board of Directors should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the chairman and vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and co-ordinate the chairman's succession plan.

COMPLIANT

35. The secretary of the Board of Directors should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

COMPLIANT

36. The full Board of Directors should conduct an annual evaluation, adopting, where necessary, an action plan to correct weaknesses detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the Chairman of the Board of Directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairs of board committees.

The evaluation of board committees should start from the reports they send the Board of Directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

COMPLIANT

37. When an executive committee exists, its membership mix by director class should resemble that of the Board of Directors. The secretary of the board should also act as secretary to the executive committee.

PARTIALLY COMPLIANT

The current composition of BBVA's Executive Committee was agreed by the Board of Directors at its meeting on 29 April 2019, and it was considered that it had the most suitable composition for the performance of its functions.

Thus, in accordance with Article 30 of the Regulations of the Board of Directors, which establishes that there should be a majority of non-executive directors over executive directors, the Executive Committee, as of 31 December 2019, partially reflects the participation of the different classes of director on the Board of Directors; the Chairman and Secretary of the Executive Committee hold the same positions on the Board of Directors, and it is composed of two executive directors and four non-executive directors, of whom one is an independent director and three are other external directors, resulting in a majority of non-executive directors in accordance with the Regulations of the Board of Directors.

38. The Board of Directors should be kept fully informed of the matters discussed and decisions made by the executive committee, and all board members should receive a copy of the committee's minutes.

COMPLIANT

39. All members of the audit committee, particularly its chair, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

COMPLIANT

40. There should be a unit in charge of the internal audit function, under the supervision of the Audit Committee, to monitor the effectiveness of reporting and internal control systems. This unit should report functionally to the board's non-executive chair or the chair of the audit committee.

COMPLIANT

41. The head of the unit handling the internal audit function should present an annual work plan to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each financial year.

COMPLIANT

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

   a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-appointment and dismissal of the head of the internal audit service; propose the service's budget; approve its priorities and work plans, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management is acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any potentially significant irregularities that they detect within the company, in particular financial or accounting irregularities.

2. With respect to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the full Board of Directors to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

PARTIALLY COMPLIANT

With respect to the function set out in section 1.c) of this recommendation, the Audit Committee established and supervised the mechanism to which this recommendation refers until April 2019, from which time this function was assigned to the Risk and Compliance Committee, which is set up to assist the Board of Directors in overseeing the Compliance function and promoting a risk and compliance culture in the Group. This Risk and Compliance Committee is composed exclusively of non-executive directors, the majority of whom are independent directors, including the Chair.

This function is therefore included in Article 5.18 of the Regulations of the Risk and Compliance Committee, whereby this Committee has the function of "*reviewing and supervising the systems under which Group professionals may confidentially report any irregularities in the field of financial information or other matters*".

The foregoing is without prejudice to the fact that, should the communications referred to in this recommendation occur, they are also transferred to the Audit Committee for analysis and supervision, in accordance with the provisions of Article 31.10 of the Regulations of the Board of Directors, which sets out the coordination system between the Board committees so that they can better carry out their functions.

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another manager.

COMPLIANT

44. The audit committee should be informed of any structural or corporate changes the company is planning, so the committee can analyse the operation and report to the Board of Directors beforehand on its economic conditions and accounting impact and, in particular and when applicable, the exchange ratio proposed.

COMPLIANT

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

COMPLIANT

46. Companies should establish an internal risk control and management function in the charge of one of the company's internal departments or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

COMPLIANT

47. Appointees to the appointments and remunerations committee – or to the appointments committee and the remunerations committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of members should be independent directors.

COMPLIANT

48. Large cap companies should operate separately constituted appointments and remunerations committees.

COMPLIANT

49. The appointments committee should consult with the Chairman of the Board of Directors and the company's chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any of the directors may approach the appointments committee to propose candidates that they might consider suitable.

COMPLIANT

50. The remunerations committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the Board of Directors the basic contractual conditions for senior managers.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the company.

d) Ensure that potential conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on directors' and senior managers' remuneration contained in corporate documents, including the annual report on the remuneration of directors.

COMPLIANT

51. The remunerations committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior managers.

COMPLIANT

52. The terms of reference of supervision and control committees should be set out in the regulations of the Board of Directors and aligned with those governing legally mandatory board committees as specified in the preceding recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The Board of Directors should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's tasks; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

COMPLIANT

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the Board of Directors under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

COMPLIANT

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, related risks and their management.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

COMPLIANT

55. The company should report on corporate social responsibility developments in its management report or in a separate document, using an internationally accepted methodology.

COMPLIANT

56. Director remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

COMPLIANT

57. Variable remuneration linked to the company's and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension and retirement plans and other social pension systems should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

58. In the case of variable remuneration, remuneration policies should include limits and technical safeguards to ensure such remuneration reflects the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the sustainability of the company and include non-financial criteria that are sufficient for long-term value creation, such as compliance with the company's internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

COMPLIANT

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

COMPLIANT

60. Remuneration linked to company earnings should take into account any qualifications stated in the external auditor's report that reduce the amount of such earnings.

COMPLIANT

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

COMPLIANT

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

COMPLIANT

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that the director has met the predetermined performance criteria.

COMPLIANT

H OTHER INFORMATION OF INTEREST

1. If there is any other aspect relevant to the corporate governance in the company or in the group entities that has not been addressed in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in the entity or its group, give a brief description of them.

2. This section may also include any other information, clarification or detail related to previous sections of the report if it is relevant and not reiterative.

In particular, indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided, if different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, identify the code in question and the date of signing. In particular, indicate whether it has signed up to the Code of Good Tax Practices of 20 July 2010.

The data in this report refers to the financial year ending 31 December 2019, except in those cases when another reference date is specifically stated.

Further to section A.2, Norges Bank informed the CNMV on 3 February 2020, that it had a holding of 3.066% of BBVA's share capital.

Further to section A.3, the percentage of direct voting rights held by non-executive directors through financial instruments corresponds to the number of "theoretical shares" accumulated as a result of the remuneration system with deferred delivery of shares approved by resolution of the General Shareholders' Meeting. In application of this resolution and in accordance with the BBVA Directors' Remuneration Policy, the Board of Directors annually allocates a number of "theoretical shares" to each non-executive director, corresponding to 20% of the annual cash remuneration received the previous financial year. These will be delivered, where applicable, after they leave their positions as directors for reasons other than serious dereliction of their duties. Details of the annual allocation carried out by the Board can be found in Notes 54 and 49 of the consolidated and individual annual financial statements for the 2019 financial year, respectively, regarding remuneration and other benefits received by the Board of Directors and members of the Bank's Senior Management.

For executive directors, the percentage of direct voting rights through financial instruments corresponds to the number of shares received as part of Annual Variable Remuneration (AVR) for previous financial years, which was deferred and is to be paid as of the date of this report, provided that the conditions for such are met. Thus, this includes the percentage corresponding to the deferred 50% of the 2016 AVR, which will vest in 2020 if conditions are met; the deferred 60% of the 2017 AVR, which will vest with the following payment schedule: 60% in 2021, 20% in 2022 and the remaining 20% in 2023; and the deferred 60% of the 2018 AVR, which will vest with the following payment schedule: 60% in 2022, 20% in 2023, and the remaining 20% in 2024. The final amount of this remuneration is subject to the applicable multi-year performance indicators, which may reduce the deferred amount, or even forfeit it, but never increase it. The final amount is also subject to the malus and clawback clauses set out in the remuneration policy applicable in each financial year.

Further to Section A.9, relating to income from treasury-share trading, Rule 21 of Circular 4/2017 and IAS 32, Paragraph 33, expressly prohibit the recognition, in the income statement, of gains or losses made through transactions carried out with its own capital instruments, including their issuance and redemption. Said profits and losses are directly booked against the company's net equity. The table of significant variations includes the date of entry of CNMV Model IV in the registries of that organism, model corresponding to the communications with treasury shares, and the reason for such communication.

Further to section A.12, there are no legal or statutory restrictions on the exercise of voting rights. Thus, in accordance with Article 31 of the Bylaws, each voting share will confer the right to one vote on the holder, whether present or represented at the General Shareholders' Meeting, regardless of its disbursement. There are also no statutory restrictions on the acquisition or transfer of shares in the Company's share capital.

However, as for the legal restrictions on the acquisition or transfer of shares in the company's share capital, Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("Act 10/2014") establishes that the direct or indirect acquisition of a significant holding (as defined in Article 16 of Act 10/2014) in a credit institution is subject to assessment by the Bank of Spain as set out in Articles 16 et seq. of Act 10/2014. Additionally, Article 25 of Royal Decree 84/2015, implementing Act 10/2014, establishes that the Bank of Spain shall evaluate proposals for acquisitions of significant shares and submit a proposal to the European Central Bank regarding whether to oppose this acquisition or not. This same article establishes the criteria that should be considered during said evaluation and the applicable timelines.

Further to Section C.1.5, within the framework of the continuous Board refreshment process, the Appointments and Corporate Governance Committee, in performing its functions, has in recent years put in place different selection processes for directors, aimed at identifying the most suitable candidates at all times, based on the needs of the corporate bodies, which favour diversity in experience, knowledge, skills and gender, as well as a level of independence of the Board.

The Board of Directors therefore has a diverse composition, combining people with extensive financial and banking experience and knowledge with profiles that have experience and knowledge in various areas that are of interest to the Bank and its Group, such as auditing, legal and academic fields, multinational business, digital businesses and technology, both nationally and internationally. This enables the Board as a whole to have a suitable balance in its composition and suitable knowledge of the Bank's and the Group's environment, activities, strategies and risks, contributing to a better performance of its functions.

In the framework of the Board refreshment process, and taking into account the analysis of the structure, size and composition of the Board, the Committee has carried out in 2019 a selection process for Board members, based on the principles set in the Board Regulations and in the Selection Policy. As a result, the proposal of three new members (two of them as independent directors and one of them as external director), as well as the re-election of two directors (one as independent director and one as external director), will be submitted to the 2020 General Meeting.

These new appointments, as well as the re-elections, if approved by the General Meeting, will contribute to achieve the targets established in the Selection Policy, which provides that the Board should have at least 50% of independent directors and that, in 2020, at least 30% of directors should be female directors. This would in turn increase the diversity in the Board in terms of knowledge, international experience and nationality.

Likewise, this also considers the composition of the different Board committees that assist the Board in the performance of its functions and which constitute a key element of BBVs Corporate Governance System. This also assesses that the corporate bodies have a suitable and diverse composition, combining individuals who have experience and knowledge of the Group, its businesses and the financial sector in general with others who have training, skills, knowledge and experience in other areas and sectors that enable the right balance to be attained in the composition of Corporate bodies to improve operation and performance of their functions.

This allows the Board of Directors and its committees to have suitable compositions that are always adapted to their needs, so they can therefore perform their functions effectively.

Also, in accordance with the provisions of Article 540 of the Corporate Enterprises Act, which stipulates that a brief description of the diversity policy, with regard to directors and to members of management, must be provided, BBVA has a selection and appointment policy for members of Senior Management. Said policy is designed to ensure that individuals in Senior Management positions at BBVA have the capacity to properly exercise the responsibilities conferred upon them. Thus, members of BBVA Senior Management must have top-level academic and technical qualifications, professional skills—underpinned by their professional careers to date—applicable to the responsibilities associated with the role to be fulfilled, a recognised honourable business and professional reputation, and commitment to BBVA's values.

Thus, pursuant to the provisions of this policy on the assessment of internal talent, performance is assessed in terms of the achievement of objectives, potential to assume greater responsibilities in the future, and individuals' professional capabilities and skills. These assessments may be supported by means of review sessions during which members of Senior Management analyse the profiles of certain employees and share their opinions on the achievements and strengths of each individual. Moreover, for the selection of external candidates for senior management positions, references and top-level executive search firms are used. The Talent & Culture area ensures that external candidates possess top-level academic and technical qualifications, that their professional careers to date adequately encompass the responsibilities associated with the roles to be fulfilled, that they have recognised business and professional reputations, and that, during their careers at other organisations, they have demonstrated a high level of alignment with BBVA's values. The candidates identified through the company's external selection process are considered alongside internal candidates, in order to select the individual that best fits the role to be fulfilled.

Moreover, in accordance with the Regulations of the Board, the BBVA Board of Directors is responsible for appointing members of Senior Management based on a proposal from the Appointments and Corporate Governance Committee. Prior to the proposal and appointment of members of Senior Management, the Bank follows a selection process that is governed by the aforementioned principles and criteria, and that comprises the following stages: (i) review and analysis of the duties to be performed in the position, and the profiles of the candidates best suited to assume the position — this process ends with the preliminary selection of a candidate to assume the position; (ii) assessment by the Suitability Committee of the suitability of the proposed candidate, in accordance with the specific procedure established by the Bank in that regard; (iii) submission, if the candidate is considered suitable, of the proposed appointment to the Appointments and Corporate Governance Committee in order for the latter to prepare its report to the Board of Directors; and (iv) submission of the proposal to the Board of Directors for approval, with said proposal accompanied by the favourable report of the Appointments and Corporate Governance Committee.

The appointment of senior managers will be based on the proposal of the Group Executive Chairman for those who report thereto, and of the Chief Executive Officer, prior information to the Group Executive Chairman. On the other hand, the Board of Directors will be responsible for the appointment and dismissal of the head of the Internal Audit function, based on a proposal from the Audit Committee, and the Head of Regulation & Internal Control, on a proposal from the Risk and Compliance Committee, as well as the determination of their objectives and assessment of their performance, on a proposal from the corresponding committee.

Further to Section C.1.6, regarding the selection process carried out in 2019, it has followed the criteria included in the Selection Policy, and it has thus favoured diversity of experience, knowledge, skills and gender; does not suffer from implicit biases that may involve any kind of discrimination; and has included women who could meet the professional profile.

Therefore, as described in Section C.1.5 above, and as a result of the 2019 selection process for directors and of the related proposals for appointment and re-election of directors submitted to the 2020 General Meeting, if approved, the 2020 target set in the Selection Policy would be achieved, regarding that the number of female directors represent, at least, 30% of the total Board members.

Further to Section C.1.7, the aim of this selection process has been to identify the most adequate candidates at any given time, depending on the needs of the corporate bodies, the circumstances and changes that may take place in the Bank, its corporate bodies and its environment. The process favours diversity of experiences, knowledge, skills and gender, and has not been affected by implicit bias that may have entailed any kind of discrimination. Moreover, a firm specialised in the search of potential candidates has provided expert advice on the process, ensuring, therefore, the highest professionalism and independence in the process.

Likewise, the process has taken into consideration the number and profile of directors whose term of offices (three years) ends on financial year 2020, so that the corresponding proposals of appointment or reappointment may be submitted to the consideration of the next Annual General Shareholders' Meeting.

Thus, the Committee has analysed the different profiles preselected, has decided which candidates would, preliminarily, meet the Bank's needs, and has been able to assess the training and professional career of each candidate, as well as their main professional and personal skills, their vision on the Bank and the Group and their disposition to join the Board of Directors.

In view of all the above, the Committee has proceeded to submit its corresponding proposals and reports on the new directors' appointments to the General Shareholders' Meeting to be held in March 2020, as well as the ones regarding the reappointment of directors.

Finally, as stated before in sections C.1.5 and C.1.6., should the General Shareholders' Meeting to be held in March 2020 approve the corresponding appointment proposals submitted to its consideration as a consequence of the directors' selection process carried out in 2019, the objective established in the selection Policy that in 2020 the number of female directors represented should be, at least, 30% of the members of the Board of Directors, will be met. Likewise, the majority of independent directors would be reinforced, also taking into account the Selection Policy that states that the number of independent directors should be, at least, 50% of the total.

Further to Section C.1.9, the different Board Committees with oversight and control functions also have certain duties delegated by the Board of Directors, which are set forth in their corresponding regulations, available on the Bank's website.

Further to the information included in section C.1.13:

The amount included in the item "Remuneration of the Board of Directors accrued during the financial year" corresponds, in accordance with the instructions of this Report, with the amount declared as total remuneration accrued according to Table C) "Summary of remunerations" of section 2.3 (Statistical Appendix) of BBVA's Annual Report on the Remuneration of Directors, which includes: fixed and in-kind remuneration of executive and non-executive directors received in the 2019 financial year; the upfront part (40%) of 2019 Annual Variable Remuneration (AVR) for executive directors, in cash and monetised shares, to vest in 2020, if conditions are met; as well as the deferred part (50%) of 2016 AVR, in cash and in monetised shares, together with its corresponding update, to vest in 2020, if conditions are met.

An individual breakdown of these amounts for each director can be found in Notes 54 and 49 of BBVA's consolidated and individual annual financial statements for the 2019 financial year, respectively.

For the purpose of calculating the cash value of the shares corresponding to the upfront part of 2019 AVR for the executive directors, the average closing price of the BBVA share for the trading sessions between 15 December 2019 and 15 January 2020 inclusive, has been taken as reference, which, in accordance with the BBVA Directors' Remuneration Policy, is the criterion used to determine the portion of the 2019 AVR payable in shares. This price stood at EUR 5.03 per share. Similarly, the same average price has been taken for the purpose of calculating the cash value of the shares corresponding to the deferred part of 2016 AVR (i.e. EUR 5.03 per share). The price used to determine the initial number of shares of the deferred part of 2016 AVR was, pursuant to the applicable policy, the closing price of the BBVA share for the trading sessions between 15 December 2016 and 15 December 2017 inclusive (EUR 6.43 per share).

With regard to the "Amount of entitlements accrued by current directors in regard to pensions" indicated in section C.1.13 of this Report, as at 31 December 2019, the Bank had undertaken pension commitments in favour of the Group Executive Chairman and the executive director Head of Global Economic & Public Affairs to cover contingencies of retirement, disability and death in accordance with the provisions of the Bylaws, the BBVA Directors' Remuneration Policy and the directors' respective contracts with the Bank. In the case of the Chief Executive Officer, the Bank has not made retirement commitments, but has made commitments to cover disability and death contingencies, in accordance with the BBVA Directors' Remuneration Policy and its contract with the Bank.

The main characteristics of the pension system are detailed in the BBVA Directors' Remuneration Policy, and are, inter alia: they are defined contribution schemes; they do not provide for the possibility of receiving the retirement pension in advance; and 15% of the agreed contributions will be considered "discretionary pension benefits", in accordance with applicable regulations. These are included in Notes 54 and 49 of BBVA's consolidated and individual annual financial statements for the 2019 financial year, respectively, which also include the amount of accrued entitlements by the Group Executive Chairman and the executive director Head of Global Economic & Public Affairs.

The balance of the item "Provisions – Funds for pensions and similar obligations" on the Group's consolidated balance sheet at 31 December 2019 includes EUR 72 million as post-employment provision commitments maintained with former members of the Board of Directors.

Further to the information included in section C.1.14:

The item "Total remuneration of Senior Management" includes the remuneration of members of Senior Management (15 member as at 31 December 2019, excluding executive directors) includes: the fixed and in-kind remuneration received in the 2019 financial year; the initial part of 2019 AVR, both in cash and monetised shares, to vest in 2020, if conditions are met; as well as the deferred part of 2016 AVR, in cash and in monetised shares, together with their corresponding update, to vest in 2020, if conditions are met. The cash value of the shares have been calculated at the same price as indicated for executive directors (i.e. EUR 5.03 per share; see section C.1.13).

The main characteristics of the pension systems for this group are: they are defined contribution schemes; they do not provide for the possibility of receiving the retirement pension in advance; and 15% of the agreed contributions will be considered "discretionary pension benefits", in accordance with applicable regulations.

The above concepts are included in Notes 54 and 49 of BBVA's consolidated and individual annual financial statements for the 2019 financial year, respectively.

The balance of the item "Provisions – Funds for pensions and similar obligations" on the Group's consolidated balance sheet at 31 December 2019 includes EUR 278 million as post-employment provision commitments maintained with former members of the Bank's Senior Management.

In addition, the positions as BBVA senior managers of Pello Xabier Belausteguigoitia Mateache and Joaquín Manuel Gortari Díez are pending registration in the Register of Senior Officers of the Bank of Spain, as at the date of this Report, pursuant to applicable regulations.

Further to Section C.1.17, the assessment carried out by the Board of Directors regarding the quality and efficiency of the operation of the committees, based on reports submitted by their respective chairs, as well as the assessment of the Executive Committee, are described below:

- The different committees have regularly reported the Board of Directors on the activities carried out and the resolutions adopted by each of the committees, in execution of their functions provided in their regulations, approved by the Board of Directors on 29 April 2019. This has ensured that all directors have a full understanding of the work being undertaken by the various Board committees.

- In addition to the above, at its meeting held on 27 November 2019, the Board received the report by the Chairman on the activity carried out by the Technology and Cybersecurity Committee in 2019 regarding the various areas within its remit, such as the technology and cybersecurity strategy, the plans, policies and management of cybersecurity, or the monitoring and control of technological risks, among other matters.

- At its meeting held on 19 December 2019, the Board received the report by the Chair of the Risk and Compliance Committee on its activities throughout the 2019 financial year. The report detailed the tasks performed by the Committee in its ongoing monitoring and oversight of the risks faced by the Group and adequacy with approved strategies and policies, as well as the oversight of regulation, internal control and compliance.

- At its meeting held on 30 January 2020, the Board received the report by the Chair of the Audit Committee on the activities of the Committee during 2019. This included its role of overseeing the preparation of financial statements and the application of accounting criteria, the sufficient, adequate and effective operation of internal control systems in the preparation of financial information, or the planning, progress and depth of external auditor tasks, as well as Internal Audit.

- At its meeting held on 30 January 2020, the Board received the report by the Chair of the Appointments and Corporate Governance Committee on the activities undertaken by the Committee throughout 2019 in terms of its assigned duties, including its tasks relating to the appointment and re-election of directors, assessment of the Board of Directors, the Chairman of the Board and Chief Executive Officer or the review of BBVA Corporate Governance System, among others.

- At its meeting held on 30 January 2020, the Board received the report by the Chair of the Remunerations Committee on the activities undertaken by the Committee throughout 2019, reporting, among other matters, on the tasks performed by the Committee relating to the preparation and implementation of the proposed resolutions submitted to the Board regarding remuneration matters, particularly those relating to the remuneration of executive directors and Senior Management, Identified Staff and BBVA Group.

- Finally, at its meeting held on 30 January 2020, the Board of Directors received the report by the Chairman on the activity carried out by the Executive Committee during 2019, detailing, among other activities, the Committee's work in support of the Board of Directors in decision-making regarding strategy and finance, development or implementation of decisions taken by the Board in the areas of strategy, budgets or finance, oversight and monitoring of activity and results, strategic-prospective information, as well as selected projects, transactions and Group policies.

All of which has been taken into consideration by the Board of Directors during the assessment process carried out in respect of the 2019 financial year described in the preceding paragraphs.

Further to Section C.1.25, the Board of Directors resolved, at its meeting held on 29 April 2019, to appoint José Miguel Andrés Torrecillas as Deputy Chair of the Board of Directors, ceasing as Lead Director, position performed now by Juan Pi Llorens.

With regard to Section C.1.27, since BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities & Exchange Commission (SEC) and, thus, to compliance with the Sarbanes Oxley Act and its implementing regulations, and for this reason each year the Group Executive Chairman, the Chief Executive Officer and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (Form 20-F) which the Company files with this authority.

Further to Section C.2.1, the following is a brief indication of what the regulations establish regarding the composition and functions of each of the Board committees:

- Audit Committee: The Regulations of the Audit Committee establish that it shall consist of a minimum of four independent directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. In any event, at least one member will be appointed taking into account their knowledge and experience in accounting, auditing or both. As a whole, the Committee members will possess relevant technical expertise in the financial sector. The Board will, from amongst its members, appoint the

Chairman of this Committee, who must be replaced every four years and may be re-elected one year after the end of their term of office. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Appointments and Corporate Governance Committee: The Regulations of the Appointments and Corporate Governance Committee establish that it shall consist of a minimum of three directors, all of them non-executive and most of them independent, as well as its Chair. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board of Directors will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Remunerations Committee: The Regulations of the Remunerations Committee establishes that it must be comprised of a minimum of three non-executive directors and the majority, including the Chair, must be independent directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board of Directors will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Risk and Compliance Committee: The Regulations of the Risk and Compliance Committee establishes that it will consist of a minimum of three directors, appointed by the Board of Directors, who possess the appropriate knowledge, skills and experience to understand and control the Bank's risk strategy. All the members of the Committee must be non-executive directors, with its Chair and a majority of members being independent directors. The Board will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Technology and Cybersecurity Committee: The Regulations of the Technology and Cybersecurity Committee establish that the Committee shall consist of a minimum of three directors, most of whom shall be non-executive directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board will appoint the Chair of the Committee from amongst its members. When the Chair cannot be present, meetings will be chaired by the longest-serving director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Executive Committee: Article 30 of the Regulations of the Board and the Regulations of the Executive Committee establishes that the Board of Directors may, in accordance with the Bylaws and with the favourable vote of two-thirds of its members, appoint an Executive Committee, composed of a minimum of four directors appointed by the Board of Directors, ensuring that there is a majority of non-executive directors over executive directors. The Chairman of the Board of Directors will be an ex-officio member of the Committee. The Secretary of the Board of Directors will hold the same position on the Committee. If absent, the Secretary will be replaced by the Deputy Secretary or the person appointed by the attendees of the relevant meeting.

Also, as a follow-up to the most important activities of the Board Committees and their organisational and operational rules as set out in paragraph C.2.1:

- Audit Committee: In terms of the most significant activities carried out by the Committee during the 2019 financial year, it analysed and oversaw the process of preparing and presenting financial and non-financial information related to the Bank as well as its consolidated Group from the annual, half-yearly and quarterly reports, in order to determine its accuracy, reliability, adequacy and clarity, prior to its submission to the Board. To this end, it focused particularly on the accounting policies and criteria used, and on any changes that may have been made to them (for example, those resulting from the entry into force of IFRS 16 and IAS 12).

  In particular, prior to their approval by the Board, the Committee oversaw the preparation of the individual and consolidated annual financial statements for the financial year, the half-yearly and quarterly financial statements, as well as other relevant financial information, including the CNMV Registration Document, US SEC Form 20-F, and the Prudential Relevance Report, among others.

  In addition, within the financial information oversight process, the Committee supervised the adequacy, appropriateness and effective operation of the internal control systems used in the preparation of financial information, including the tax systems, along with both internal reports and those of the external auditor on the effectiveness of the internal financial control.

  With regards to activities related to the external auditor, the Committee has maintained appropriate relationships with the heads of the external auditor, during each of the monthly meetings it has held, in order to ascertain the planning, status and progress of the work in connection with the audit of the Bank and Group's annual financial statements, of the interim financial statements, and of other financial information subject to review during the account auditing. It has also received and analysed the opinion reports and communications from the auditor required by account auditing legislation, among which: the work carried out on the Group's financial information, the external auditor's additional report for the Audit Committee, and the confirmations of its independence with regards to the Bank and other companies within its group.

  Similarly, in relation to the independence of the external auditor, the Committee has ensured that internal procedures are implemented to safeguard against situations that may give rise to independence conflicts. It has also verified declarations made by the external auditor concerning confirmation of its independence with regard to BBVA and its Group, and issued the corresponding reports in accordance with applicable legislation.

  Also, since the 3-year period for which KPMG had been appointed auditor for BBVA and its Consolidated Group at the General Meeting ended in 2019, the Audit Committee analysed and assessed the quality of the work performed by the auditor, submitting to the Board the proposal for its re-election as auditors for the Bank and its Group for 2020, which has been in turn submitted to the 2020 General Meeting.

  Likewise, the Audit Committee initiated a tender process for, where appropriate, the possible appointment of a new auditor from the 2021 financial year. Following the tender process, the Committee concluded that KPMG was the firm that could offer a high-quality service that was best suited to the current needs, and submitted to the Board its recommendation and preference for this auditing firm.

  With regards to Internal Audit tasks, the Committee approved the Annual Work Plan for Internal Audit for the financial year, overseeing the organisational measures set out in the Area for the performance of its functions; also approved the Strategic Plan that the Internal Audit area had drawn up for 2020-2024; provided ongoing monitoring and supervised the Area's activities and reports, ascertained the results of its most relevant work, identified any weaknesses and opportunities for improvement; and considered the recommendations proposed by the Internal Audit as a result of its review work. In the framework of the external assessment of the Internal Audit by an independent expert, the Committee oversaw the conclusions of the work carried out by the external expert in order to identify opportunities for improvement and best practices in the field.

In relation to the Compliance Area in the period prior to the approval of the amendments to the Committee Regulations, by which the functions regarding compliance were transferred to the Risk and Compliance Committee, the Committee reviewed the Area's activity, including the monitoring the results of its reviews and the degree of progress in the implementation of planned measures; the Criminal Risk Prevention Model; the follow-up of issues related to MiFID regulations; it was made aware of the main communications and inspections carried out by the Group's main supervisors, whether national or foreign, in relation to matters within their remit, as well as all those issues that may have arisen in this area of the Group's activity.

During the financial year, the Committee also reviewed the changes to the structure of the Group companies, provided ongoing monitoring of the main issues relating to the Group's tax risks, and supervised the Group's tax management along with the results of the inspection processes carried out on the matter.

Similarly, the Committee has been informed of major corporate transactions planned by the Group, monitoring the economic conditions and their main accounting impacts and issuing, prior to the decisions taken by the Board, the Committee's report on the transaction.

Lastly, during the Bank's General Shareholders' Meeting held in 2019, the Committee informed shareholders of the main issues related to the matters within its remit, including overseeing the process of preparing the Bank and Group's financial information, which had been provided to shareholders for their approval, the result of the account auditing and of the function that it had carried out in this matter, as well as the main issues related to the matters described in this section and other matters handled by the Committee.

Other functions entrusted to the Audit Committee are: (i) to inform the General Shareholders' Meeting on the questions raised in relation to the matters that are within the remit of the Committee and, in particular, on the result of the audit, explaining how the audit has contributed to the integrity of the financial information and the function performed by the Committee in this process; (ii) to be apprised of the reports, documents or communications from external supervisory bodies relating to the Committee's functions; and make sure that the instructions, requirements and recommendations of the supervisory bodies are fulfilled properly and on time; and (iii) to report on all matters within its remit as provided for by law, the Bylaws and the Regulations of the Board of Directors prior to any decisions that the Board of Directors may be required to adopt, and in particular on: financial information that the Company is required to publish; economic conditions and the accounting impact of relevant corporate transactions and structural modifications; the creation or acquisition of shares in special purpose vehicles or in entities domiciled in tax havens or territories considered to be tax havens; and related-party transactions.

Regarding organisational and operational rules, the operational principles of the Audit Committee are indicated in its Regulations, which lay down the basic rules of its organisation and operation.

In particular, the Audit Committee's Regulations stipulate that, inter alia, the Committee shall meet whenever it is called by its Chair, who is empowered to convene the Committee and to set the agenda for its meeting. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

Executives responsible for the areas that manage matters within the Committee's remit may be called to meetings, in particular, Accounting and Internal Audit areas, and, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed convenient. The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager. Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings, such as Bank managers and employees, be limited to those cases where it is necessary and to the items on the agenda for which they are called.

The Committee may, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be provided by experts or technical staff within the Group on grounds of specialisation or independence.

Other aspects relating to its organisation and operation will be subject to the provisions of the Committee's Regulations. All matters not provided for in the aforementioned Regulations will adhere to the Regulations of the Board of Directors, insofar as they are applicable.

- Appointments and Corporate Governance Committee: The Regulations of the Appointments and Corporate Governance Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. In particular, the Regulations of the Appointments and Corporate Governance Committee specifically provide that the Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings. The Regulations also set out the procedure for calling ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Group employee or manager, and even arrange for them to appear without the presence of any other manager, however, it will seek to ensure that that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects relating to its organisation and operation will be subject to the provisions of the Committee's Regulations. All other matters not provided in the Committee's Regulations will be in accordance with the Regulations of the Board of Directors insofar as they are applicable

  With respect to the Appointments and Corporate Governance Committee's most significant activities during the 2019 financial year, in the performance of their functions, the following were particularly noteworthy: the Committee's continuous analysis of the structure, size and composition of the Board of Directors, ensuring that they are suitable for the corporate bodies to best perform their duties; the analysis of the directors' compliance with the independence and suitability criteria and the absence of any conflicts of interest for the performance of their duties; the review performed on the Board's selection, appointment, rotation and diversity policy, which, together with the analysis of structure, size and composition, led to corresponding proposals and reports for the re-election and appointment of directors that in turn is to be submitted to the next General Shareholders' Meeting in March 2020. The committee also carried out an analysis of the assessment of the operation of the Board, the Executive Committee and the performance of the functions of the Chairman of the Board and the Chief Executive Officer, submitting their corresponding reports for consideration by the Board.

  In addition, within the framework of its duties relating to the Bank's Corporate Governance System, the Committee has carried out the quarterly monitoring and supervision of the progress made in implementing the changes made to the Bank's Corporate Governance System during the financial year; as well as the result of the corporate governance roadshow, where meetings were held with the Bank's main institutional investors and proxy advisors over the last months of 2019.

Finally, the Committee analysed the appointments and removals of senior managers that were proposed during the 2019 financial year, in compliance with the selection and appointment policy of the members of the Senior Management; and the Committee reviewed and verified the suitability of the proposed new senior managers, submitting their corresponding reports to the Board.

- Remunerations Committee: The Regulations of the Remunerations Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. In particular, the Regulations of the Remunerations Committee provide, inter alia, that the Remunerations Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings. The Regulations also and set out the procedure for calling ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call any other Group employee or manager, and even arrange for them to appear without the presence of any other manager. It will, however, seek to ensure that the presence of persons outside the Committee during its meetings be limited to those cases where it is necessary and to the items on the agenda for which they had been called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects relating to its organisation and operation will be subject to the provisions of the Committee's Regulations. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

  In regards to the most important activities carried out by the Remunerations Committee during the 2019 financial year, the Committee has been focused on performing the functions assigned to it pursuant to Article 5 of the Remunerations Committee's Regulations, as well as in execution of the framework established in the BBVA Directors' Remuneration Policy, approved by the General Meeting held in March 2019, and in the BBVA Group's Remuneration Policy approved by the Board of Directors in November 2017, which is generally applicable to all BBVA staff and which includes, in turn, the Remuneration Policy for the Identified Staff.

  Therefore, in the execution of its functions and of the remuneration policies mentioned, the Committee has analysed the following matters and, where appropriate, submitted the corresponding proposals to the Board for approval:

  Firstly, the Remunerations Committee analysed the approach for updating the BBVA Directors' Remuneration Policy approved by General Meeting held in 2017. This update included the new contractual conditions for the Group Executive Chairman and the Chief Executive Officer as a result of their appointment in December 2018, as well as certain additional technical improvements, maintaining in general terms, the remuneration system established in the previous remuneration policy.

  Therefore, the Committee submitted to the Board of Directors the proposal to update the BBVA Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years, along with the report on the Policy drawn up by the Committee and the proposal for the maximum number of shares to be issued to the executive directors in execution of such Policy, all of which was submitted to the General Meeting held on 15 March 2019.

  With regard to non-executive directors, the Committee analysed the remuneration of non-executive directors in view of the changes incorporated in BBVA Corporate Governance System, submitting to the Board proposals for establishing remuneration associated with the roles of Lead Director and Deputy Chair of the Board, and the revision of remuneration for the directors and chairs of the different Board committees, as a result of the redistribution of functions of certain committees as reflected in their corresponding regulations.

With regard to executive directors, the Committee submitted to the Board the proposals necessary for: determining the Annual Variable Remuneration ("AVR") for the 2018 financial year; determining the amount of the deferred part of the AVR for the 2015 financial year, as well as the amount of its updating; the scales of achievement for assessing the multi-year performance indicators applicable to the deferred 2018 AVR and the reference group of the Total Shareholder Return indicator that forms part of these indicators; the conditions for payment of the initial part of the 2018 AVR and the deferred part of the 2015 AVR; the novation of the Chairman's contract and the approval of the Chief Executive Officer's contract to adapt them to their new functions and positions, determining their remuneration conditions; determining the annual and multi-year performance indicators for the calculation of the 2019 AVR and their corresponding weightings; the objectives and achievement scales associated with the annual performance indicators for the 2019 AVR; and the minimum thresholds of Attributable Profit and Capital Ratio established for the accrual of 2019 AVR.

With regard to matters relating to Senior Management, the Committee has determined the basic contractual conditions applicable to the members of Senior Management appointed on 20 December 2018 and throughout the 2019 financial year, as well as the salary review of certain members of Senior Management. The Committee has also monitored the 2018 AVR of the members of Senior Management, as well as the deferred part of the 2015 AVR of the senior managers who are beneficiaries of that remuneration, payment of which corresponded in 2019. Moreover, and as a result of the fact that the heads of Internal Audit and Regulation & Internal Control now have to report to the Board, the Committee has submitted to the Board the proposed objectives and annual performance indicators to calculate 2019 AVR of the head of these functions, within the framework of the remuneration model applicable to Senior Management.

In terms of matters relating to the Identified Staff, including Senior Management, the Committee has determined that the multi-year performance indicators used to calculate the annual variable remuneration for 2019 and the scales of achievement used to calculate the deferred annual variable remuneration for 2018 should be the same as those established for executive directors.

As regards its function of ensuring compliance with the remuneration policies established by the Company, the Committee has reviewed the implementation of the approved remuneration policies (i.e. BBVA Directors' Remuneration Policy and the BBVA Group's Remuneration Policy, including the Remuneration Policy for the Identified Staff) and the procedure for identifying Staff, through the Internal Audit's annual report, and has also received information on the result of the process for identifying the Identified Staff within the BBVA Group during the 2019 financial year.

The Committee has also verified the information of remuneration of directors and senior managers contained in the financial statements and the Annual Report on the Remuneration of Directors for 2018.

Finally, the Committee has submitted the 2018 Annual Report on the Remuneration of Directors to the Board for its approval and subsequent submission to the General Shareholders' Meeting, and it has also proposed to the Board a resolution to increase the maximum variable remuneration level of up to 200% of the fixed component applicable to a specific number of members of the Identified Staff.

- Risk and Compliance Committee:

4. *Receive monthly information from the Head of Regulation & Internal Control regarding the activities carried out by said area, as well as regarding any incidents that may arise, and verify that the Group's Senior Management takes into account the conclusions and recommendations of their reports.*

The Risk and Compliance Committee has received monthly information from the head of Regulation & Internal Control regarding the activity carried out by each of the units that comprise that area, without prejudice to the periodic report received directly by the Committee from the heads of Compliance, Non-Financial Risks and Internal Risk Control, all of which fall under the Regulation & Internal Control area.

5. *Monitor the evolution of the Group's risks and their degree of compatibility with established strategies and policies, and with the Group's Risk Appetite Framework, and oversee procedures, tools and risk measurement indicators established at Group level to obtain a global view of the Bank's and the Group's risks. Likewise, monitor compliance with prudential regulation and supervisory requirements regarding risks. Furthermore, analyse, where appropriate, the measures envisaged to mitigate the impact of identified risks, should these materialise, to be adopted by the Executive Committee or the Board of Directors, as appropriate.*

   Throughout financial year 2019, the Risk and Compliance Committee monitored the evolution of the different risks to which the Group is exposed —both financial (credit risk, structural risks, market risk, insurance risk, etc.) and non-financial (operational risks)—, all of it within the framework of the BBVA Group's General Risk Management and Control Model and in accordance with the Risk Appetite Framework approved by the corporate bodies.

   To this effect, the Risk and Compliance Committee received and analysed information from the Risk and Regulation & Internal Control areas suitably frequently, and had the support of the Group's head of Global Risk Management, the head of Regulation & Internal Control, those in charge of each type of risk in the corporate field and the risk directors of the Group's main geographical areas; to which it should be added the direct interaction of the Committee with each of the speakers and the debates that may have arisen during its meetings.

   All of this afforded the Risk and Compliance Committee direct knowledge of the Group's risks, both globally and locally, allowing it to perform its duty of monitoring the evolution of the Group's risks, regardless of the type of risk, the geographical or business area in which it originates, and even the sector or portfolio to which it belongs.

   As part of this duty, the Risk and Compliance Committee also regularly monitored compliance with the metrics and limits established for financial year 2019, with the necessary detail and frequency to ensure adequate control of said indicators. To complete its control of the Risk Appetite Framework, the Committee received information about the key internal and external variables that affect the compliance of the Risk Appetite Framework, even if they are not directly part of it. All of this prior to its follow-up by the other corporate bodies with risk functions.

   In addition to the foregoing, the Risk and Compliance Committee has received monthly information on the main credit risk operations approved by the committees of the Risk area in their respective areas of competency, as well as the Group's most significant cases of credit exposure. Each month, the Risk and Compliance Committee also had access to information about the qualitative risk operations authorised by the Risk area.

6. *Analyse, within its remit, risks associated with projects that are considered strategic for the Group or with corporate operations to be submitted to consideration by the Board of Directors or, where appropriate, to consideration by the Executive Committee and, where necessary, submit the corresponding report.*

   The Risk and Compliance Committee has analysed, in advance, the financial and non-financial risks of corporate operations submitted for consideration by the Executive Committee.

7. *Analyse, prior to their submission to the Board of Directors or to the Executive Committee those risk operations to be submitted to their consideration*.

   During the 2019 financial year, no risk operations have been submitted for consideration by the Board of Directors or the Executive Committee, and therefore, the Risk and Compliance Committee has not had to perform this role in this financial year.

8. *Examine whether the prices of the assets and liabilities offered to customers fully take into account the Bank's business model and risk strategy and, if not, submit a plan to the Board of Directors aimed at rectifying the situation*.

   In 2019, the Committee received recurring information on the evolution of metrics and analysis in terms of profitability and capital, which evaluate the alignment of the resulting pricing in the financing and credit activity against the risk strategy and risk transfer in the Group.

   Additionally, the Committee monitored the profitability of portfolios and businesses and the performance of the profitability indicators incorporated into the Risk Appetite Framework of the Company. All of this enabled the Committee to confirm that the prices of the assets and liabilities offered to customers were aligned with the Bank's business model and risk strategy.

9. *Participate in the process of establishing the remuneration policy, ascertaining that it is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated by the Company*.

   The Committee has been involved in establishing the multi-year performance indicators of the variable remuneration and the corresponding scales of achievement, analysing their alignment with sound, effective and prudent risk management.

10. *Verify that the Company and the Group have means, systems, structures and resources that are consistent with best practices that enable them to implement their risk management strategy, ensuring that the Bank's risk management mechanisms are adequate in relation thereto. All of this, in coordination with the remaining Board Committees, within their respective remits*.

    The Committee was informed of the Risk area's structure, resources and incentive scheme as well as its means, systems and tools (including those in development stage), having verified that the Group has adequate resources in relation with its strategy.

11. *Report, prior to any decisions that may have to be made by the Board of Directors, on all matters within its remit as provided for in the law, the Bylaws, the Regulations of the Board of Directors and the Risk and Compliance Committee Regulations*.

    The Risk and Compliance Committee participated in the review of the Group's Recovery Plan with a view to assessing its alignment with the Risk Appetite Framework approved by the Group, with the help of the Risk and Finance areas, inter alia, before its submission and, if appropriate, approval by the appropriate corporate bodies.

    The Committee also fulfilled this function to the extent and according to the specified herein for each of its functions.

12. *Ensure compliance with applicable national and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to competition, and ensure that any requests for action or information made by official authorities on these matters are dealt with in due time and in an appropriate manner*.

13. *Be informed on any breach of the applicable internal or external regulations, as well as the relevant events that the areas reporting to the Committee may have identified within their oversight and control functions. Likewise, the Committee shall be informed on those issues related to legal risks which may arise in the course of Group's activity*.

14. *Examine draft codes of ethics and conduct and their respective modifications prepared by the corresponding area of the Group, and issue its opinion in advance of the proposals to be drawn up to the corporate bodies*.

    Regarding the functions outlined in paragraphs 12, 13 and 14 above, the Committee has regularly reviewed the Compliance area's activity over the course of the financial year, overseeing the results of its examinations and the degree of progress in the implementation of planned measures in the different areas of action (e.g. conduct, markets, anti-money laundering); the monitoring of issues relating to MiFID regulations and bank transparency; the receipt of the corresponding independent expert reports on compliance, as well as all those issues that may have arisen from the Group's activities in the area of compliance. The Committee has also been kept informed of the Annual Plan of the Compliance function approved, regularly assessing its degree of progress and achievement. Furthermore, the Committee has received information on the main legal risks to which the Group is currently exposed and has reviewed the Entity's activity regarding personal data protection.

15. *Be apprised of reports, documents or communications from external supervisory bodies, notwithstanding any communications made with the remaining committees with regard to their respective remits, and verify that the instructions, requirements and recommendations received from the supervisory bodies in order to correct the irregularities, shortfalls or inadequacies identified in the inspections performed are fulfilled in due time and appropriate manner*.

    The Committee was made aware of the major communications and inspections carried out by the Group's supervisory bodies, whether national or foreign, being informed, where appropriate, of the recommendations, weaknesses or areas of improvement identified, as well as the action plans and other measures established by the relevant executive areas in order to overcome them in time.

16. *Ensure the promotion of risk culture across the Group*.

    During the 2019 financial year, the Risk and Compliance Committee verified the progress and effectiveness of the various actions and initiatives drawn up by the Risk area to strengthen the risk culture in the Group, so as to enable employees to perform their functions in a secure environment, and to encourage the mitigation of risks to which their activities are exposed.

17. *Supervise the Group's criminal risk prevention model*.

    The Committee has also been informed of the main points of the BBVA Group's Crime Prevention and Criminal Risk Management Model, as well as its development and the main work lines in this regard.

18. *Review and supervise the systems under which Group professionals may confidentially report any irregularities in financial information or other matters*.

    The Committee has been informed by the head of the Compliance area —the unit responsible for promoting and ensuring, in an independent and objective manner, that BBVA acts with integrity, particularly in areas such as anti-money laundering, conduct with clients, security market conduct, anti-corruption and other areas that might pose a risk to BBVA's reputation— of the functioning of the whistleblowing channel, as well as of the noteworthy aspects of the area.

In terms of organisational and operation rules, the Regulations of the Risk and Compliance Committee set out the operational principles, which lay down the basic rules of its organisation and functioning.

In particular, the Risk and Compliance Committee's Regulations stipulate, inter alia, that the Committee shall meet whenever it is convened by its Chair, who is empowered to call the Committee meetings and to set their agenda. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

Executives responsible for the areas that manage matters within the Committee's remits may be called to meetings, in particular the Regulation and Internal Control area and Risks area, and, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call any other Bank employee or manager, and even arrange for them to attend without the presence of any other manager, while ensuring that the presence of persons outside the Committee during these meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be provided by experts or technical staff within the Group on grounds of specialisation or independence.

Other aspects relating to its organisation and operation will be subject to the provisions of the Committee's own Regulations. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

- The Technology and Cybersecurity Committee: Duties relating to the Technology Strategy are:

  - Being informed, as appropriate, of the technology strategy and trends that may affect the Bank's strategic plans, including through monitoring general industry trends.

  - Being informed, as appropriate, of the metrics established by the Group for management and control in the technological area, including the Group's developments and investments in this area.

  - Being informed, as appropriate, of issues related to new technologies, applications, information systems and best practices that may affect the Group's technological plans or strategy.

  - Being informed, as appropriate, of the main policies, strategic projects and plans defined by the Engineering Area.

  - Reporting to the Board of Directors and, where appropriate, to the Executive Committee, on matters related to information technologies falling within its remit.

  To ensure compliance with these duties, the Technology and Cybersecurity Committee has performed the following duties:

  - Technology strategy: The Committee has been informed by the Engineering area of the Group's technology strategy, as well as of the status and evolution of the various projects, systems, tools and developments integrated with the strategy, and receives a periodic report on the key performance indicators (KPIs) in this regard. The Committee has also been informed of the number of employees and level of investment required to effectively implement this strategy.

  - Development of new products and services: The Committee has been informed of the main projects that the Engineering area, together with the Group's business areas and the Client Solutions area, has implemented or is planning to implement in developing new products and digital services targeted at the Group's wholesale and retail customers.

  - Trend information: The Committee has received information regarding the main technological trends in the industry, and even in other important sectors, especially with regard to trends that may affect the Bank's strategic plans.

  Regarding the procedures and organisational and operational rules of the Technology and Cybersecurity Committee, the Committee's operational principles are indicated in its own Regulations, which lay down the basic rules of its organisation and operation.

In particular, the Technology and Cybersecurity Committee's Regulations stipulate that, inter alia, the Committee shall meet whenever it is called by its Chair, who is empowered to call the Committee and to set the agenda for its meeting. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Group employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

The Committee may, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

Other aspects of the organisation and operation of the Committee are included in the Regulations of the Committee. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

- Executive Committee: The main activities carried out by the Committee during the 2019 financial year included the monitoring of the monthly evolution of the Group and its business areas' activity and results, its crucial role in ensuring the integrity, coordination, consistency and coherence of the Group's strategic and prospective processes, such as the Strategic Plan, the Group's Risk Appetite Framework (RAF), the ICAAP, the ILAAP, the Budget and planning of liquidity and financing, taking into account aspects common to all processes, such as macroeconomic perspectives, the regulatory and supervisory framework and corporate operations, and driving the integration of the strategic bases established by the Board into all processes.

  Furthermore, the Committee has ensured the coherence and alignment of RAF with the strategy established by the Board of Directors and has reviewed and proposed the bases for the proposals upon which RAF has been drafted, which were submitted to the Board by the Risk and Compliance Committee.

  The role of the Committee has also been extended to supporting the Board in matters of finance by analysing and monitoring the drafting of the Capital Plan and the Liquidity and Funding Plan prior to its submission to the Board.

  The Committee also oversaw, monitored and controlled the Group's risk management, it monitored the evolution of the risk profile and metrics; the most significant aspects relating to changes in the macroeconomic environment and other factors that impacted the Group's management and activities over the course of the financial year; as well as any developments in BBVA share prices.

  It also analysed the corporate transactions within its remit, as well as other matters or projects arising from the day-to-day management of business and supervised and approved new corporate policies.

  Finally, the Committee monitored the legislative and regulatory developments affecting financial institutions, as well as the Group's authorisation to appoint administrators in subsidiaries or investee companies, and the granting of the powers vested in the Group. It also oversaw matters relating to corporate governance and the roadshow. However, the competences held by the Committee in this regard were transferred to the Appointments and Corporate Governance Committee upon the approval of the amendments to the Committee Regulations, as outlined in this report.

With respect to Section D (Related-party and Intragroup Transactions), see Notes 53 and 48 of the BBVA consolidated and individual Annual Financial Statements for the 2019 financial year, respectively. Section D.4 details the transactions conducted by Banco Bilbao Vizcaya Argentaria, S.A., at the close of the financial year, with the company issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances, guaranteed by BBVA. Moreover, with respect to Section D.4, please refer to the section entitled "Offshore financial centres" in the BBVA Consolidated Management Report for the 2019 financial year.

Likewise, in relation with Section D.6, all members of the Board of Directors and BBVA Senior Management are subject to the provisions of the BBVA Code of Conduct and the Internal Standards of Conduct in the Securities Markets, which establish procedures and measures to identify, prevent and manage potential conflicts of interest. In particular, the Internal Standards of Conduct in the Securities Markets establishes that all persons subject to them must notify the head of their area or the Compliance unit of situations that could potentially and under specific circumstances may entail conflicts of interest that might compromise their impartiality, before they engage in any transaction or conclude any business in the securities market in which such may arise.

Furthermore, regarding Section D.7, BBVA has significant shareholdings in three listed companies that are neither subsidiaries nor part of the BBVA Group. As part of its ordinary trading, BBVA also has shareholdings in other listed companies, without this stake being significant nor these companies considered as subsidiaries that belong to the BBVA Group.

With respect to Section E.3, and as regards preliminary proceedings 96/2017 – investigation piece number 9 – for the services provided to the Bank by Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt), it should be noted that, since January 2019, this issue has been periodically reported to the Bank's corporate bodies. This relates to both the Board committees within their remit (Audit Committee and Risk and Compliance Committee) as well as the Board of Directors as a whole. These bodies have driven and monitored internal investigation procedures, ensuring that the Bank fully cooperates with the authorities and develops a policy of transparency.

In addition to the above, throughout the 2019 financial year, the Bank's management bodies have adopted several measures to reinforce the Bank's internal control systems, the key elements of which are described in the "Compliance System" section of the Non-Financial Information report, included in the individual and consolidated Management Reports in which this Corporate Governance Report is included. This relates to: (i) the direct report of the heads of internal control and internal audit to the Board of Directors; (ii) approval of new policies and improvement in processes related to outsourcing, procurement and others; and (iii) reinforcement of the criminal prevention model.

It is also worth noting that the findings of the ongoing forensic investigation, which have been made available to the judicial authorities and are the basis of the legal investigation, indicate that neither the Executive Chairman of the Bank nor any of the current members of the Board of Directors are implicated, and it has not been proven that the Bank has committed any criminal activity.

In this regard, in the testimony given before the judge and prosecutors at the request of Central Investigating Court No. 6 of the Spanish National High Court, the Bank pleaded that it bears no criminal responsibility. It must also be noted that the criminal responsibility of legal persons is only legally enforceable from 2010.

It must also be stressed that to date the case has not impacted the Bank's business, nor has it negatively impacted the Bank's reputation indices, which are subject to recurrent monitoring by both the executive team and by its management bodies.

BBVA has created a specific section on its corporate website with information on issues related to the Cenyt case (https://www.bbva.com/en/specials/the-cenyt-case/).

Regarding adherence to codes of ethics or good practice, in 2011 BBVA's Board of Directors approved the Bank's adhesion to the CBPT (*Código de Buenas Prácticas Tributarias* – Code of Good Tax Practices) approved by the Large Corporations Forum according to the wording proposed by the Spanish Tax Agency (AEAT). The Group meets the obligations assumed as a result of this adherence and, during 2019, voluntarily prepared and submitted to the Spanish Tax Agency the "Annual Fiscal Transparency Report" for companies adhering to the CBPT. In this regard, the BBVA Group is also adhered since 2013 to the Code of Practice on Taxation for Banks promoted by British tax authorities, and has also met its obligations. Furthermore, BBVA is committed to implementing the provisions of the Universal Declaration of Human Rights and is a member of all major international initiatives for sustainable development, such as the Principles of United Nations Global Compact, the Equator Principles, the United Nations Principles for Responsible Investment, the United Nations Environment Programme Financial Initiative, the Green Bond Principles, the Social Bond Principles, the Green Loan Principles, the Thun Group of Banks on Human Rights CDP, the RE100 initiatives and the Science Based Targets, Grupo Español para el Crecimiento Verde (Spanish Green Growth Group) initiatives, as well as those of others conventions and treaties of international organisations such as the Organization for Economic Co-operation and Development and the International Labour Organization. Also, in 2019 BBVA signed, as a founding signatory, the Principles for Responsible Banking and joined the Collective Commitment to Climate Action as part of this year's UN Secretary-General's Climate Action Summit. Moreover, BBVA is firmly committed to the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change, and, since 2017, the Bank has been part of the pilot group of banks committed to implementing the recommendations regarding financing and climate change published in July by the Financial Stability Board of the G20.

This annual corporate governance report was approved by the company's Board of Directors on 10 February 2020.

List whether any directors voted against or abstained from voting on the approval of this report.

NO

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

Independent Assurance Report on the Consolidated Non-Financial Information Statement of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries for the year 2019

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Non-Financial Information Statement Consolidated (hereinafter NFIS) for the year ended 31th December 2019, of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank") and its subsidiaries (hereinafter the "Group") which forms part of the 2019 consolidated Group's Management Report.

The Consolidated Management Report includes additional information to that required by prevailing mercantile legislation on which it is not possible to provide assurance as it was not prepared using adequate criteria. In this regard, our assurance work was limited only to providing assurance on the information contained in table "Contents of Law 11/2018" of the accompanying Consolidated Management Report.

Directors' responsibilities

The Bank's Directors are responsible for the preparation and presentation of the NFIS included in the Group's Management Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in table "Contents of Law 11/2018" of the aforementioned Group's Management Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Bank's Directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Group that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below.

- Meetings with the Group personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS based on the materiality analysis performed by the Group and described in the section "Materiality" considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2019.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2019.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2019 and whether it has been adequately compiled based on data provided by internal and external information sources or third-party reports.
- Procurement of a representation letter from the Bank's Directors and Management.

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Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Banco Bilbao Vizcaya Argentaria, S.A. and its subsidiaries for the year ended 31th December 2019 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, in accordance with that mentioned for each subject area in the table "Contents of Law 11/2018" of the aforementioned Consolidated Management Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Luis Martín Riaño
11 de febrero de 2020

BBVA

Creating Opportunities

03.

Consolidated financial statements and Auditors' report

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BBVA

Consolidated balance sheets for the years ended December 31, 2019, 2018 and 2017

ASSETS (Millions of Euros)

	Notes	2019	2018 (*)	2017 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	9	44,303	58,196	42,680
FINANCIAL ASSETS HELD FOR TRADING	10	102,688	90,117	64,695
Derivatives		33,185	30,536	35,265
Equity instruments		8,892	5,254	6,801
Debt securities		26,309	25,577	22,573
Loans and advances to central banks		535	2,163	-
Loans and advances to credit institutions		21,286	14,566	-
Loans and advances to customers		12,482	12,021	56
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	11	5,557	5,135	
Equity instruments		4,327	3,095	
Debt securities		110	237	
Loans and advances to central banks		-	-	
Loans and advances to credit institutions		-	-	
Loans and advances to customers		1,120	1,803	
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	12	1,214	1,313	2,709
Equity instruments				1,888
Debt securities		1,214	1,313	174
Loans and advances to customers		-	-	648
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	13	61,183	56,337	69,476
Equity instruments		2,420	2,595	3,224
Debt securities		58,731	53,709	66,251
Loans and advances to credit institutions		33	33	-
FINANCIAL ASSETS AT AMORTIZED COST	14	439,162	419,660	445,275
Debt securities		38,877	32,530	24,093
Loans and advances to central banks		4,275	3,941	7,300
Loans and advances to credit institutions		13,649	9,163	26,261
Loans and advances to customers		382,360	374,027	387,621
DERIVATIVES - HEDGE ACCOUNTING	15	1,729	2,892	2,485
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	15	28	(21)	(25)
JOINT VENTURES AND ASSOCIATES	16	1,488	1,578	1,588
Joint ventures		154	173	256
Associates		1,334	1,405	1,332
INSURANCE AND REINSURANCE ASSETS	23	341	366	421
TANGIBLE ASSETS	17	10,068	7,229	7,191
Properties, plant and equipment		9,816	7,066	6,996
For own use		9,554	6,756	6,581
Other assets leased out under an operating lease		263	310	415
Investment properties		252	163	195
INTANGIBLE ASSETS	18	6,966	8,314	8,464
Goodwill		4,955	6,180	6,062
Other intangible assets		2,010	2,134	2,402
TAX ASSETS	19	17,083	18,100	16,888
Current tax assets		1,765	2,784	2,163
Deferred tax assets		15,318	15,316	14,725
OTHER ASSETS	20	3,800	5,472	4,359
Insurance contracts linked to pensions		-	-	-
Inventories		581	635	229
Other		3,220	4,837	4,130
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	21	3,079	2,001	23,853
TOTAL ASSETS		698,690	676,689	690,059

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

The accompanying Notes and Appendices are an integral part of the consolidated balance sheet as of December 31, 2019.

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

Consolidated balance sheets for the years ended December 31, 2019, 2018 and 2017

LIABILITIES AND EQUITY (Millions of Euros)

	Notes	2019	2018 (*)	2017 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**10**	**89,633**	**80,774**	**46,182**
Derivatives		35,019	31,815	36,169
Short positions		12,249	11,025	10,013
Deposits from central banks		7,635	10,511	-
Deposits from credit institutions		24,969	15,687	-
Customer deposits		9,761	11,736	-
Debt certificates		-	-	-
Other financial liabilities		-	-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**10,010**	**6,993**	**2,222**
Deposits from central banks		-	-	-
Deposits from credit institutions		-	-	-
Customer deposits		944	976	-
Debt certificates		4,656	2,858	-
Other financial liabilities		4,410	3,159	2,222
Memorandum item: Subordinated liabilities		-	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**22**	**516,641**	**509,185**	**543,713**
Deposits from central banks		25,950	27,281	37,054
Deposits from credit institutions		28,751	31,978	54,516
Customer deposits		384,219	375,970	376,379
Debt certificates		63,963	61,112	63,915
Other financial liabilities		13,758	12,844	11,850
Memorandum item: Subordinated liabilities		*18,018*	*18,047*	*17,316*
DERIVATIVES - HEDGE ACCOUNTING	**15**	**2,233**	**2,680**	**2,880**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**-**	**-**	**(7)**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**23**	**10,606**	**9,834**	**9,223**
PROVISIONS	**24**	**6,538**	**6,772**	**7,477**
Pensions and other post employment defined benefit obligations		4,631	4,787	5,407
Other long term employee benefits		61	62	67
Provisions for taxes and other legal contingencies		677	686	756
Commitments and guarantees given		711	636	578
Other provisions		457	601	669
TAX LIABILITIES	**19**	**2,808**	**3,276**	**3,298**
Current tax liabilities		880	1,230	1,114
Deferred tax liabilities		1,928	2,046	2,184
OTHER LIABILITIES	**20**	**3,742**	**4,301**	**4,550**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		**1,554**	**-**	**17,197**
TOTAL LIABILITIES		**643,765**	**623,814**	**636,736**

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

The accompanying Notes and Appendices are an integral part of the consolidated balance sheet as of December 31, 2019.

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

BBVA

Consolidated balance sheets for the years ended December 31, 2019, 2018 and 2017

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	Notes	2019	2018 (*)	2017 (*)
SHAREHOLDERS' FUNDS		**55,958**	**54,326**	**53,283**
Capital	**26**	**3,267**	**3,267**	**3,267**
Paid up capital		3,267	3,267	3,267
Unpaid capital which has been called up		-	-	-
Share premium	**27**	**23,992**	**23,992**	**23,992**
Equity instruments issued other than capital		**-**	**-**	**-**
Other equity		**56**	**50**	**54**
Retained earnings	**28**	**26,402**	**23,076**	**23,746**
Revaluation reserves	**28**	**-**	**3**	**12**
Other reserves	**28**	**(125)**	**(58)**	**(35)**
Reserves or accumulated losses of investments in joint ventures and associates		(125)	(58)	(35)
Other		-	-	-
Less: treasury shares	**29**	**(62)**	**(296)**	**(96)**
Profit or loss attributable to owners of the parent		**3,512**	**5,400**	**3,514**
Less: interim dividends		**(1,084)**	**(1,109)**	**(1,172)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**30**	**(7,235)**	**(7,215)**	**(6,939)**
Items that will not be reclassified to profit or loss		**(1,875)**	**(1,284)**	**(1,183)**
Actuarial gains (losses) on defined benefit pension plans		(1,498)	(1,245)	(1,183)
Non-current assets and disposal groups classified as held for sale		2	-	-
Share of other recognized income and expense of investments joint ventures and associates		-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(403)	(155)	
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-	
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-	
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-	
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		24	116	
Items that may be reclassified to profit or loss		**(5,359)**	**(5,932)**	**(5,755)**
Hedge of net investments in foreign operations (effective portion)		(896)	(218)	1
Foreign currency translation		(6,161)	(6,643)	(7,297)
Hedging derivatives. Cash flow hedges (effective portion)		(44)	(6)	(34)
Financial assets available for sale				1,641
Fair value changes of debt instruments measured at fair value through other comprehensive income		1,760	943	
Hedging instruments (non-designated items)		-	-	
Non-current assets and disposal groups classified as held for sale		(18)	1	(26)
Share of other recognized income and expense of investments in joint ventures and associates		1	(9)	(40)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**31**	**6,201**	**5,764**	**6,979**
Accumulated other comprehensive income		(3,526)	(3,236)	(2,550)
Other items		9,727	9,000	9,530
TOTAL EQUITY		**54,925**	**52,874**	**53,323**
TOTAL EQUITY AND TOTAL LIABILITIES		**698,690**	**676,689**	**690,059**

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

	Notes	2019	2018 (*)	2017 (*)
Loan commitments given	33	130,923	118,959	94,268
Financial guarantees given	33	10,984	16,454	16,545
Other commitments given	33	39,209	35,098	45,738

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

The accompanying Notes and Appendices are an integral part of the consolidated balance sheet as of December 31, 2019.

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

BBVA

Consolidated income statements for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	2019	2018 (*)	2017 (*)
Interest and other income	37.1	31,061	29,831	29,296
Interest expense	37.2	(12,859)	(12,239)	(11,537)
NET INTEREST INCOME		**18,202**	**17,591**	**17,758**
Dividend income	38	162	157	334
Share of profit or loss of entities accounted for using the equity method	39	(42)	(7)	4
Fee and commission income	40	7,522	7,132	7,150
Fee and commission expense	40	(2,489)	(2,253)	(2,229)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	41	239	216	985
Gains (losses) on financial assets and liabilities held for trading, net	41	451	707	218
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	41	143	96	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	41	(94)	143	(56)
Gains (losses) from hedge accounting, net	41	59	72	(209)
Exchange differences, net	41	586	(9)	1,030
Other operating income	42	671	949	1,439
Other operating expense	42	(2,006)	(2,101)	(2,223)
Income from insurance and reinsurance contracts	43	2,890	2,949	3,342
Expense from insurance and reinsurance contracts	43	(1,751)	(1,894)	(2,272)
GROSS INCOME		**24,542**	**23,747**	**25,270**
Administration costs		(10,303)	(10,494)	(11,112)
Personnel expense	44.1	(6,340)	(6,120)	(6,571)
Other administrative expense	44.2	(3,963)	(4,374)	(4,541)
Depreciation and amortization	45	(1,599)	(1,208)	(1,387)
Provisions or reversal of provisions	46	(617)	(373)	(745)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	47	(4,151)	(3,981)	(4,803)
Financial assets measured at amortized cost		(4,069)	(3,980)	(3,676)
Financial assets at fair value through other comprehensive income		(82)	(1)	(1,127)
NET OPERATING INCOME		**7,872**	**7,691**	**7,222**
Impairment or reversal of impairment of investments in joint ventures and associates		(46)	-	-
Impairment or reversal of impairment on non-financial assets	48	(1,447)	(138)	(364)
Tangible assets		(94)	(5)	(42)
Intangible assets		(1,330)	(83)	(16)
Other assets		(23)	(51)	(306)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	49	(3)	78	47
Negative goodwill recognized in profit or loss		-	-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	50	21	815	26
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**6,398**	**8,446**	**6,931**
Tax expense or income related to profit or loss from continuing operations		(2,053)	(2,219)	(2,174)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**4,345**	**6,227**	**4,757**
Profit (loss) after tax from discontinued operations		-	-	-
PROFIT FOR THE YEAR		**4,345**	**6,227**	**4,757**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	31	**833**	**827**	**1,243**
ATTRIBUTABLE TO OWNERS OF THE PARENT	55.2	**3,512**	**5,400**	**3,514**

	Notes	2019	2018 (*)	2017 (*)
EARNINGS PER SHARE (Euros)	5			
Basic earnings per share from continued operations		0.47	0.75	0.46
Diluted earnings per share from continued operations		0.47	0.75	0.46
Basic earnings per share from discontinued operations		-	-	-
Diluted earnings per share from discontinued operations		-	-	-

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

The accompanying Notes and Appendices are an integral part of the consolidated income statement as of December 31, 2019.

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

BBVA

Consolidated statements of recognized income and expense for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

	2019	2018 (*)	2017 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**4,345**	**6,227**	**4,757**
OTHER RECOGNIZED INCOME (EXPENSE)	**(310)**	**(2,523)**	**(4,439)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(584)**	**(141)**	**(91)**
Actuarial gains (losses) from defined benefit pension plans	(364)	(79)	(96)
Non-current assets and disposal groups held for sale	2	-	-
Share of other recognized income and expense of entities accounted for using the equity method	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(229)	(172)	
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-	
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(133)	166	
Income tax related to items not subject to reclassification to income statement	140	(56)	5
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**274**	**(2,382)**	**(4,348)**
Hedge of net investments in foreign operations (effective portion)	**(687)**	**(244)**	**80**
Valuation gains (losses) taken to equity	(687)	(244)	112
Transferred to profit or loss	-	-	-
Other reclassifications	-	-	(32)
Foreign currency translation	**132**	**(1,537)**	**(5,080)**
Translation gains (losses) taken to equity	113	(1,542)	(5,089)
Transferred to profit or loss	1	5	(22)
Other reclassifications	18	-	31
Cash flow hedges (effective portion)	**(109)**	**27**	**(67)**
Valuation gains (losses) taken to equity	(99)	(32)	(122)
Transferred to profit or loss	(10)	58	55
Transferred to initial carrying amount of hedged items	-	-	-
Other reclassifications	-	-	-
Available-for-sale financial assets			**719**
Valuation gains (losses) taken to equity			384
Transferred to profit or loss			347
Other reclassifications			(12)
Debt securities at fair value through other comprehensive income	**1,278**	**(901)**	
Valuation gains (losses) taken to equity	1,401	(766)	
Transferred to profit or loss	(122)	(135)	
Other reclassifications	-	-	
Non-current assets and disposal groups held for sale	**(19)**	**20**	**(20)**
Valuation gains (losses) taken to equity	(8)	-	-
Transferred to profit or loss	-	20	-
Other reclassifications	(11)	-	(20)
Entities accounted for using the equity method	**10**	**9**	**(14)**
Income tax relating to items subject to reclassification to income statements	**(332)**	**244**	**35**
TOTAL RECOGNIZED INCOME/EXPENSE	4,036	3,704	318
Attributable to minority interest (non-controlling interests)	**543**	**(420)**	**127**
Attributable to the parent company	**3,493**	**4,124**	**191**

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

The accompanying Notes and Appendices are an integral part of the consolidated statement of recognized income and expense as of December 31, 2019.

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

Consolidated statements of changes in equity for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
2019	**Capital (Note 26)**	**Share Premium (Note 27)**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings (Note 28)**	**Revaluation reserves (Note 28)**	**Other reserves (Note 28)**	**(-) Treasury shares (Note 29)**	**Profit or loss attributable to owners of the parent**	**(-) Interim dividends (Note 4)**	**Accumulated other comprehensive income (Note 30)**	**Accumulated other comprehensive income (Note 31)**	**Other (Note 31)**	**Total**
Balances as of January 1, 2019 (*)	3,267	23,992	-	50	23,017	3	(57)	(296)	5,324	(975)	(7,215)	(3,236)	9,000	52,874
Effect of changes in accounting policies (Note 1.3)	-	-	-	-	58	-	-	-	76	(134)	-	-	-	-
Adjusted initial balance	3,267	23,992	-	50	23,076	3	(57)	(296)	5,400	(1,109)	(7,215)	(3,236)	9,000	52,874
Total income/expense recognized	-	-	-	-	-	-	-	-	3,512	-	(19)	(291)	833	4,036
Other changes in equity	-	-	-	6	3,327	(3)	(68)	234	(5,400)	25	-	-	(106)	(1,985)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,059)	-	(4)	-	-	(1,084)	-	-	(142)	(2,289)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,088)	-	-	-	-	-	(1,088)
Sale or cancellation of treasury shares	-	-	-	-	13	-	-	1,322	-	-	-	-	-	1,335
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	4,360	(3)	(66)	-	(5,400)	1,109	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(4)	-	-	-	-	-	-	-	-	-	(4)
Other increases or (-) decreases in equity	-	-	-	11	14	-	1	-	-	-	-	-	36	62
Balances as of December 31, 2019	3,267	23,992	-	56	26,402	-	(125)	(62)	3,512	(1,084)	(7,235)	(3,526)	9,727	54,925

(*) Balances as of December 31, 2018 as originally reported in the consolidated Financial Statements for the year 2018.

The accompanying Notes and Appendices are an integral part of the consolidated statement of changes in equity as of December 31, 2019.

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

BBVA

Consolidated statements of changes in equity for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
2018 (*)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (Note 30)	Accumulated other comprehensive income (Note 31)	Other (Note 31)	Total
Balances as of January 1, 2018 (**)	3,267	23,992	-	54	25,474	12	(44)	(96)	3,519	(1,043)	(8,792)	(3,378)	10,358	53,323
Effect of changes in accounting policies	-	-	-	-	(2,579)	-	9	-	(5)	(129)	1,756	850	(822)	(919)
Adjusted initial balance	3,267	23,992	-	54	22,895	12	(34)	(96)	3,514	(1,172)	(7,036)	(2,528)	9,536	52,404
Total income/expense recognized	-	-	-	-	-	-	-	-	5,400	-	(1,276)	(1,247)	827	3,704
Other changes in equity	-	-	-	(4)	180	(10)	(23)	(199)	(3,514)	63	1,096	540	(1,364)	(3,234)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(992)	-	(4)	-	-	(1,109)	-	-	(378)	(2,483)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,684)	-	-	-	-	-	(1,684)
Sale or cancellation of treasury shares	-	-	-	-	(24)	-	-	1,484	-	-	-	-	-	1,460
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity (see Note 2.2.20)	-	-	-	-	1,274	(10)	(19)	-	(3,514)	1,172	1,096	540	(540)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(19)	-	-	-	-	-	-	-	-	-	(19)
Other increases or (-) decreases in equity	-	-	-	15	(77)	-	-	-	-	-	-	-	(446)	(508)
Balances as of December 31, 2018	3,267	23,992	-	50	23,076	3	(58)	(296)	5,400	(1,109)	(7,215)	(3,236)	9,000	52,874

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

(**) Balances as of December 31, 2017 as originally reported in the consolidated Financial Statements for the year 2017.

The accompanying Notes and Appendices are an integral part of the consolidated statement of changes in equity as of December 31, 2019.

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

Consolidated statements of changes in equity for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
2017 (*)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (Note 30)	Accumulated other comprehensive income (Note 31)	Other (Note 31)	Total
Balances as of January 1, 2017 (**)	3,218	23,992	-	54	23,688	20	(67)	(48)	3,475	(1,510)	(5,458)	(2,246)	10,310	55,428
Effect of changes in accounting policies	-	-	-	-	(1,813)	-	7	-	82	(111)	1,836	817	(817)	-
Adjusted initial balance	3,218	23,992	-	54	21,875	20	(60)	(48)	3,557	(1,621)	(3,622)	(1,429)	9,493	55,428
Total income/expense recognized	-	-	-	-	-	-	-	-	3,514	-	(3,317)	(1,122)	1,243	318
Other changes in equity	50	-	-	-	1,872	(8)	25	(48)	(3,557)	449	-	-	(1,207)	(2,423)
Issuances of common shares	50	-	-	-	(50)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	9	-	(9)	-	-	(1,029)	-	-	(290)	(1,318)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,674)	-	-	-	-	-	(1,674)
Sale or cancellation of treasury shares	-	-	-	-	1	-	-	1,626	-	-	-	-	-	1,627
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,902	(8)	41	-	(3,557)	1,621	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)
Other increases or (-) decreases in equity	-	-	-	22	9	-	(6)	-	-	(144)	-	-	(917)	(1,035)
Balances as of December 31, 2017	3,267	23,992	-	54	23,746	12	(34)	(96)	3,514	(1,172)	(6,939)	(2,551)	9,529	53,323

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

(**) Balances as of December 31, 2016 as originally reported in the consolidated Financial Statements for the year 2016.

The accompanying Notes and Appendices are an integral part of the consolidated statement of changes in equity as of December 31, 2019.

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

BBVA

Consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)	2019	2018 (*)	2017 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**(8,214)**	**9,249**	**1,722**
1. Profit for the year	**4,345**	**6,227**	**4,757**
2. Adjustments to obtain the cash flow from operating activities	**9,582**	**7,619**	**8,531**
Depreciation and amortization	1,599	1,208	1,387
Other adjustments	7,983	6,411	7,144
3. Net increase/decrease in operating assets	**(36,747)**	**(12,094)**	**(5,227)**
Financial assets held for trading	(11,664)	1,379	5,662
Non-trading financial assets mandatorily at fair value through profit or loss	(318)	(643)	
Other financial assets designated at fair value through profit or loss	99	349	(783)
Financial assets at fair value through other comprehensive income	(3,755)	(206)	5,032
Financial assets at amortized cost	(24,119)	(12,067)	(14,836)
Other operating assets	3,010	(906)	(302)
4. Net increase/decrease in operating liabilities	**16,208**	**10,286**	**(3,916)**
Financial liabilities held for trading	8,061	(466)	(6,057)
Other financial liabilities designated at fair value through profit or loss	2,680	1,338	19
Financial liabilities at amortized cost	8,016	10,481	2,111
Other operating liabilities	(2,549)	(1,067)	11
5. Collection/Payments for income tax	**(1,602)**	**(2,789)**	**(2,423)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	**98**	**7,516**	**2,902**
1. Investment	**(1,494)**	**(2,154)**	**(2,339)**
Tangible assets	(852)	(943)	(777)
Intangible assets	(528)	(552)	(564)
Investments in joint ventures and associates	(114)	(150)	(101)
Other business units	-	(20)	(897)
Non-current assets classified as held for sale and associated liabilities	-	(489)	-
Held-to-maturity investments			-
Other settlements related to investing activities	-	-	-
2. Divestments	**1,592**	**9,670**	**5,241**
Tangible assets	128	731	518
Intangible assets	-	-	47
Investments in joint ventures and associates	98	558	18
Subsidiaries and other business units	5	4,268	936
Non-current assets classified as held for sale and associated liabilities	1,198	3,917	1,002
Held-to-maturity investments			2,711
Other collections related to investing activities	162	196	9
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(2,702)**	**(5,092)**	**(98)**
1. Payments	**(7,418)**	**(8,995)**	**(5,763)**
Dividends	(2,147)	(2,107)	(1,698)
Subordinated liabilities	(3,571)	(4,825)	(2,098)
Treasury stock amortization	-	-	-
Treasury stock acquisition	(1,088)	(1,686)	(1,674)
Other items relating to financing activities	(612)	(377)	(293)
2. Collections	**4,716**	**3,903**	**5,665**
Subordinated liabilities	3,381	2,451	4,038
Treasury shares increase	-	-	-
Treasury shares disposal	1,335	1,452	1,627
Other items relating to financing activities	-	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	**(258)**	**(2,498)**	**(4,266)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**(11,077)**	**9,175**	**261**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**54,167**	**44,992**	**44,978**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**43,090**	**54,167**	**45,239**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)	Notes	2019	2018 (*)	2017 (*)
Cash	9	7,060	6,346	6,220
Balance of cash equivalent in central banks	9, 14	36,031	47,821	39,018
Other financial assets		-	-	-
Less: Bank overdraft refundable on demand		-	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**43,090**	**54,167**	**45,239**

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

The accompanying Notes and Appendices are an integral part of the consolidated statement of cash flows as of December 31, 2019.

Notes to the accompanying Consolidated Financial Statements

1. Introduction, basis for the presentation of the Consolidated Financial Statements, Internal Control over Financial Reporting and other information

1.1 Introduction

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

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

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

As of December 31, 2019, the BBVA Group had 288 consolidated entities and 54 entities accounted for using the equity method (see Notes 3 and 16 and Appendix I to V).

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2018 were approved by the shareholders at the Annual General Meetings ("AGM") held on March 15, 2019.

BBVA Group's Consolidated Financial Statements and the Financial Statements for the Bank and the majority of the remaining entities within the Group have been prepared as of December 31, 2019, and are pending approval by their respective AGMs. Notwithstanding, the Board of Directors of the Bank understands that said financial statements will be approved without changes.

1.2 Basis for the presentation of the Consolidated Financial Statements

The BBVA Group's Consolidated Financial Statements are presented in compliance with IFRS-IASB (International Financial Reporting Standards as issued by the International Accounting Standards Board), as well as in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS") applicable as of December 31, 2019, considering the Bank of Spain Circular 4/2017, and with any other legislation governing financial reporting applicable to the Group in Spain (see Note 1.3).

The BBVA Group's accompanying Consolidated Financial Statements for the year ended December 31, 2019 were prepared by the Group's Directors (through the Board of Directors meeting held on February 10, 2020) by applying the principles of consolidation, accounting policies and valuation criteria described in Note 2, so that they present fairly the Group's total consolidated equity and financial position as of December 31, 2019, together with the consolidated results of its operations and cash flows generated during the year ended December 31, 2019.

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

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

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

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

1.3 Comparative information

The information included in the accompanying consolidated financial statements relating to the years ended December 31, 2018 and December 31, 2017, in accordance to the applicable regulation, is presented for the purpose of comparison with the information for the year ended December 31, 2019.

Leases

As of January 1, 2019, IFRS 16 “Leases” replaced IAS 17 “Leases” and includes changes in the lessee accounting model (see Note 2.2.19). This amendment was applied using the modified retrospective method and the previous years have not been restated for comparison purposes as allowed by the standard (see Note 2.3).

Income taxes

As mentioned in Note 2.3 and derived from the Annual improvements cycle to IFRSs 2015-2017, the amendment to IAS 12 – “Income Taxes” requires that the tax impacts of the distribution of dividends should be recorded under "Tax expense or income related to profit or loss from continuing operations" in the consolidated income statement for the year. Previously they were recorded under total equity.

In order for the information to be comparable, the information for the years 2018 and 2017 has been restated, recognizing a €76 million profit and a €5 million loss in the consolidated financial statements for such years, respectively, under “Retained earnings“ and “Less: Interim dividends”. This has meant an increase of 1.4% and a decrease of 0.1% in the “Profit or loss attributable to owners of the parent” for the years 2018 and 2017, respectively with respect to amounts previously presented in the consolidated Financial Statements for the year ended December 31, 2018 and 2017. This reclassification has had no impact on the consolidated total equity.

Operating segments

During 2019, there have been changes to the BBVA Group business segments in comparison to the segment structure in 2018 (See Note 6). The information related to business segments as of and for the years ended December 31, 2018 and 2017 has been restated in order to make them comparable, as required by IFRS 8 “Information by business segments”.

Hyperinflationary economies

In 2018, the information as of December 31, 2017 was restated for comparative purposes taking into account the change in accounting policies for hyperinflationary economies in accordance with IAS 29 "Financial information in hyperinflationary economies" (see Note 2.2.20).

Application of IFRS 9

As of January 1, 2018, IFRS 9 “Financial instruments” replaced IAS 39 “Financial Instruments: Recognition and Measurement” and included changes in the requirements for the classification and measurement of financial assets and financial liabilities, the impairment of financial assets and hedge accounting (see Note 2.2.1). As permitted by the standard, IFRS 9 was not applied retrospectively for previous years. As a consequence of the application of IFRS 9, the comparative information for the financial year 2017 included in these Consolidated Financial Statements was subject to some non-significant modifications in order to improve the comparability.

1.4 Seasonal nature of income and expense

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

1.5 Responsibility for the information and for the estimates made

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

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

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

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

During 2019 there were no significant changes to the assumptions and estimations performed as of December 31, 2018, except as indicated in these Consolidated Financial Statements.

1.6 BBVA Group's Internal Control over Financial Reporting

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

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

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

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

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

- A control system organized into three lines of defense that has been updated and strengthened in 2019 :
  - The first line of defense (1LoD) is located within the business and support units, which are responsible for identifying risks associated with their processes, as well as for implementing and executing the necessary controls to mitigate them. In 2019, in order to reinforce the adequate risk management in each areas processes, the role of the Risk Control Assurer was created.
  - The second line of defense (2LoD) comprises the specialized control units for each type of risk (Legal, IT, Third Party, Finance, Compliance or Processes among others). This second line defines the mitigation and control frameworks for their areas of responsibility across the entire organization and performs challenge to the control model (supervises the implementation and design of the controls and assesses their effectiveness).
  - The third line of defense (3LoD) is the Internal Audit unit, which conducts an independent review of the model, verifying the compliance and effectiveness of the model.

- A committee structure, called Corporate Assurance, which enables the escalation of possible weaknesses and internal control issues to the management at a Group level and also in each of the countries where the Group operates.

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

BBVA's INTERNAL CONTROL OVER FINANCIAL REPORTING

Companies Processes Risk Controls	01 Selection of evaluation Scope	02 Documentation of process models	03 Risk identification evaluation and prioritization	04 Documentation of control models	05 Identification and management of residual risk	06 Evaluation of the effectiveness of the ICFR
	Selection of companies and relevant information to be covered	Definition and documentation of the processes´ map that is directly and indirectly involved in the preparation of financial information.	Identification of risks linked to processes that can trigger errors in the financial information. Criticality assesment of risks.	Identification of key mitigating controls	Identification and management of the degree of risk mitigation with the controls identified.	Periodic review, certification and communication of ICRF effectiveness

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

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

The description of the ICFR is included in the Corporate Governance Annual Report within the Management Report attached to the consolidated financial statements for the year ended December 31, 2019.

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

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

2.1 Principles of consolidation

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

- Subsidiaries

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

Note 3 includes information related to the main subsidiaries in the Group as of December 31, 2019. Appendix I includes other significant information on all entities.

- Joint ventures

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

The investments in joint ventures are accounted for using the equity method (see Note 16). Appendix II shows the main figures for joint ventures accounted for using the equity method as of December 31, 2019.

- Associates

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

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

In contrast, some investments in entities in which the Group holds less than 20% of the voting rights are accounted for as Group associates, as the Group is considered to have the ability to exercise significant influence over these entities. As of December 31, 2019, these entities are not significant to the Group.

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

- Structured Entities

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

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

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

- Structured entities subject to consolidation

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

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

This type of entities include cases where the Group has a high exposure to variable returns and retains decision-making power over the investee, either directly or through an agent.

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

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

For additional information on the accounting treatment for the transfer and derecognition of financial instruments, see Note 2.2.2. "Transfers and derecognition of financial assets and liabilities".

- Non-consolidated structured entities

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

As of December 31, 2019, there was no material financial support from the Bank or its subsidiaries to unconsolidated structured entities.

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

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

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

The consolidated financial statements of subsidiaries, associates and joint ventures used in the preparation of the Consolidated Financial Statements of the Group have the same presentation date as the Consolidated Financial Statements. If financial statements at those same dates are not available, the most recent will be used, as long as these are not older than three months, and adjusted to take into account the most significant transactions. As of December 31, 2019, financial statements as of December 31 of all Group entities were utilized except for the case of the consolidated financial statements of 6 associates deemed non-significant for which financial statements as of November 30, 2019 were used for 5 of them and the financial statements as of October 31, 2019 were used for 1 of them.

Separate financial statements

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

Appendix IX shows BBVA's financial statements as of and for the years ended December 31, 2019 and 2018.

2.2 Accounting policies and valuation criteria applied

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

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

2.2.1 Financial instruments

IFRS 9 became effective as of January 1, 2018 and replaced IAS 39 regarding the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting. Actually, the Group has elected for continuing the application of IAS 39 for hedge accounting, as permitted by IFRS 9. The disclosures for the financial year 2017 related to the measurement of financial assets and liabilities, the definition of impaired financial assets, and the method for calculating the impairment on financial assets, which are presented for the purpose of comparability, are based on the accounting policies and valuation criteria applicable under IAS 39.

The main aspects regarding IAS 39, applicable until December 31, 2017, are as follows:

Measurement of financial instruments

IAS 39 established the following three categories for the recognition of financial assets, not applicable under IFRS 9, valued as follows:

- "Available-for-sale financial assets": Assets recognized under this heading were measured at their fair value. Subsequent changes in fair value (gains or losses) were recognized temporarily net of tax effect, under the heading "Accumulated other comprehensive income- Items that may be reclassified to profit or loss -Available-for-sale financial assets".
- "Loans and receivables" and "Held-to-maturity investments": Assets and liabilities recognized under these headings were subsequently measured at "amortized cost" using the "effective interest rate" method. This was because the consolidated entities generally intend to hold such financial instruments to maturity.
- Equity instruments whose fair value could not be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments were recorded at acquisition cost; adjusted, where appropriate, for any impairment loss.

Impairment losses on financial assets

The method for calculating the impairment of financial assets under IAS 39 was based on incurred losses; impairment losses were recognized only if there was objective evidence of impairment. In other words, an event of a loss had to occur after initial recognition, so that the impairment loss could have been recognized.

First, the Group would determine whether there was objective evidence of impairment individually for individually significant debt instruments, and collectively for debt instruments that were not individually significant. If the Group determined that there was no objective evidence of impairment, the assets were classified in groups of debt instruments based on similar risk characteristics and impairment was assessed collectively.

The impairment on financial assets was determined by type of instrument and other circumstances that could have affected it, taking into account the guarantees received to assure (in part or in full) the performance of the financial assets.

The information used under such model was past information, adjusted in order to reflect the effect of the conditions in such reporting period, which did not affect the period matching past information, and avoid the effect of the conditions that did not exist. The model did not allow the use of prospective information.

In the case of equity instruments classified as available for sale, valued at fair value, when there was objective evidence that the negative differences that arose on measurement of these equity instruments were due to impairment, they were no longer registered as "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Available-for-sale financial assets" and were recognized in the consolidated income statement. In general, the Group considered that there was objective evidence of impairment on equity instruments classified as available-for-sale when significant unrealized losses had existed over a sustained period of time due to a price reduction of at least 40% or over a period of more than 18 months. When applying this evidence of impairment, the Group took into account the volatility in the price of each individual equity instrument to determine whether it was a percentage that could be recovered through its sale in the market; other different thresholds could have existed for certain equity instruments or specific sectors. In addition, for individually significant investments, the Group compared the valuation of the most significant equity instruments against valuations performed by independent experts.

Classification and measurement of financial assets

Classification of financial assets

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

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

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

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

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

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

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

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

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

Measurement of financial assets

All financial instruments are initially recognized at fair value, plus, those transaction costs which are directly attributable to the issue of the particular instrument, for those cases in which financial assets are not classified at fair value through profit or loss.

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

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

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

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

The assets recognized under these headings of the consolidated balance sheet are measured upon acquisition at fair value and changes in the fair value (gains or losses) are recognized as their net value under the headings "Gains (losses) on financial assets and liabilities held for trading, net", "Gains (losses) on non-trading financial assets mandatorily at fair value through profit and loss, net" and "Gains (losses) on financial assets designated at fair value through profit or loss, net" in the accompanying consolidated income statement (see Note 41). Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading Gains (losses) on financial assets and liabilities, net in the accompanying consolidated income statements (Note 41).

"Financial assets at fair value through other comprehensive income"

- Debt instruments

Assets recognized under this heading in the consolidated balance sheets are measured at their fair value. This category of valuation implies the recognition of the information in the income statement as if it were an instrument valued at amortized cost, while the instrument is valued at fair value in the balance sheet. Thus, both the interests of these instruments and the exchange differences and impairment that arise in their case are recorded in the profit and loss account, while subsequent changes in its fair value (gains or losses) are recognized temporarily (by the amount net of tax effect) under the heading "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of debt instruments measured at fair value through other comprehensive income" in the consolidated balance sheets (see Note 30).

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

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

Interests of these instruments are recorded in the consolidated profit and loss account (see Note 37). Changes in foreign exchange rates are recognized under the heading "Exchange differences, net" in the accompanying consolidated income statements (see Note 41).

- Equity instruments

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

"Financial assets at amortized cost"

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

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

Classification and measurement of financial liabilities

Classification of financial liabilities

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

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

Measurement of financial liabilities

All financial instruments are initially recognized at fair value except for those transaction costs which are directly attributable to the issue of the particular financial liability, for those cases in which financial liabilities are not classified at fair value through profit or loss.

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

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

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

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

“Financial liabilities at amortized cost”

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

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

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

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

- In fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading “Gains (losses) from hedge accounting, net” in the consolidated income statement, with a corresponding offset under the headings where hedging items ("Hedging derivatives") and the hedged items are recognized, as applicable, except for interest-rate risks hedges (which are almost all of the hedges used by the Group), for which the valuation changes are recognized under the headings “Interest and other income” or “Interest expense”, as appropriate, in the accompanying consolidated income statement (see Note 37).

- In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the consolidated income statement, with counterpart on the headings “Derivatives-Hedge Accounting” and the gains or losses that arise from the change in the fair value of the hedged item (attributable to the hedged risk) are also recognized in the consolidated income statement (in both cases under the heading “Gains (losses) from hedge accounting, net”, using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the consolidated balance sheets, as applicable).

- In cash flow hedges, the gain or loss on the hedging instruments relating to the effective portion are recognized temporarily under the heading ”Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges” in the consolidated balance sheets, with a balancing entry under the heading “Hedging derivatives” of the Assets or Liabilities of the consolidated balance sheets as applicable. These differences are recognized under the headings “Interest and other income” or “Interest expense” at the time when the gain or loss in the hedged instrument affects profit or loss, when the forecast transaction is executed or at the maturity date of the hedged item (see Note 37).

- Differences in the measurement of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly in the heading “Gains (losses) from hedge accounting, net” in the consolidated income statement (see Note 41).

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

Loss allowances on financial assets

Definition of impaired financial assets

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

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

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

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

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

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

The BBVA Group has applied the following definitions:

- Default

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

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

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

  In accordance with IFRS 9, the 90-day past-due stipulation may be waived in cases where the entity considers it appropriate, based on reasonable and documented information that it is appropriate to use a longer term. As of December 31, 2019, the Group has not considered periods higher than 90 days for any of the significant portfolios.

- Credit impaired asset

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

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

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

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

- Significant increase in credit risk

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

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

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

- Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so the quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.

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

- More than 30 days past due. According to IFRS 9, default of more than 30 days is a presumption that can be rebutted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk. As of December 31, 2019, the Group has not considered periods higher than 30 days for any of the significant portfolios.
- Watch list: They are subject to special watch by the Risk units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment.
- Refinance or restructuring that does not show evidence of impairment.

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

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

- Stage 1– without significant increase in credit risk

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

- Stage 2– significant increases in credit risk

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

- Stage 3 – Impaired

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

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

Method for calculating expected credit loss

Method for calculating expected loss

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

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

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

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

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

The estimated losses are derived from the following parameters:

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

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

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

Use of present, past and future information

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

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

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

2.2.2 Transfers and derecognition of financial assets and liabilities

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

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

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

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

Treatment of securitizations

The securitizations to which the Group entities transfer their credit portfolios are consolidated entities of the Group. For more information, refer to Note 2.1 "Principles of consolidation".

The Group considers that the risks and benefits of the securitizations are substantially retained if the subordinated bonds are held and/ or if subordination funding has been granted to those securitization funds, which means that the credit loss risk of the securitized assets will be assumed. Consequently, the Group is not derecognizing those transferred loan portfolios.

On the other hand, the Group has carried out synthetic securitizations, which are transactions where risk is transferred through derivatives or financial guarantees and in which the exposure of these securitizations remains in the balance sheet of the Group. The Group has established the synthetic securitizations through received financial guarantees. As for the commissions paid, they are accrued during the term of the financial guarantee.

2.2.3 Financial guarantees

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

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

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

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

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

Synthetic securitizations made by the Group to date meet the requirements of the accounting regulations for accounting as guarantees. Consideration as a financial guarantee means recognition of the commission paid for it over the period.

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

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

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

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

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

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

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

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

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

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

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

2.2.5 Tangible assets

Property, plant and equipment for own use

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

For more information regarding the accounting treatment of right to use assets under lease terms, see Note 2.2.19 "Leases".

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

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

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

Depreciation rates for tangible assets

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

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

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

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

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

Other assets leased out under an operating lease

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

Investment properties

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

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

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

2.2.6 Inventories

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

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

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

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

Impairment

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

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

Inventory sales

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

2.2.7 Business combinations

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

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

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

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

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

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

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

2.2.8 Intangible assets

Goodwill

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

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

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

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

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

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

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

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

Other intangible assets

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

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

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

2.2.9 Insurance and reinsurance contracts

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

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

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

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

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

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

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

- Life insurance provisions:

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

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

- Non-life insurance provisions:

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

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

- Provision for claims:

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

- Provision for bonuses and rebates:

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

- Technical provisions for reinsurance ceded:

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

- Other technical provisions:

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

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

2.2.10 Tax assets and liabilities

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

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

Deferred tax assets and liabilities include temporary differences, defined as the amounts to be payable or recoverable in future years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the “tax value”), and tax loss and tax credit or discount carry forwards. These amounts are registered by applying to each temporary difference the tax rates that are expected to apply when the asset is realized or the liability settled (see Note 19).

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

Deferred tax liabilities attributable to taxable temporary differences associated with investments in subsidiaries, associates or joint venture entities are recognized as such, except where the Group can control the timing of the reversal of the temporary difference and it is unlikely that it will reverse in the future. Deferred tax assets are recognized to the extent that it is probable that the consolidated entities will generate enough taxable profits to make deferred tax assets effective and do not correspond to those from initial recognition (except in the case of business combinations), which also does not affect the fiscal outcome.

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

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

2.2.11 Provisions, contingent assets and contingent liabilities

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

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

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

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

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

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

2.2.12 Pensions and other post-employment commitments

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

Short-term employee benefits

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

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

Post-employment benefits – Defined-contribution plans

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

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

Post-employment benefits – Defined-benefit plans

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

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

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

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

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

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

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

Other long-term employee benefits

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

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

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

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

In establishing the actuarial assumptions we take into account that:

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

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

2.2.13 Equity-settled share-based payment transactions

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

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

2.2.14 Termination benefits

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

2.2.15 Treasury shares

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

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

2.2.16 Foreign-currency transactions and exchange differences

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

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

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

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

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

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

The exchange differences produced when converting the balances in foreign currency to the functional currency of the consolidated entities are generally recognized under the heading "Exchange differences, net" in the consolidated income statements (see Note 41). However, the exchange differences in non-monetary items measured at fair value are recorded to equity under the heading "Accumulated other comprehensive income or loss - Items not subject to reclassification to income statement - Fair value changes of equity instruments measured at fair value through other comprehensive income" in the consolidated balance sheets (see Note 30).

Conversion of functional currencies to euros

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

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

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

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

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

Venezuela

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

As of December 31, 2019, 2018 and 2017, the impact on the financial statements that would have resulted by applying the last published official exchange rate instead of the exchange rate estimated by BBVA Group was not significant (see Note 2.2.20).

2.2.17 Recognition of income and expense

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

- Interest income and expense and similar items:

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

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

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

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

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

- Income from dividends received:

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

  - When the right to receive payment has been declared before the initial recognition and when the payment is pending to be received, the dividends will not form part of the gross carrying amount of the equity instrument and will not be recognized as income. Those dividends are accounted for as financial assets separately from the net equity instrument.
  - If the right to receive payment is received after the initial recognition, the dividends from the net equity instruments will be recognized within the consolidated income statement. If the dividends correspond indubitable to the profits of the issuer before the date of initial recognition, they will not be recognized as income but as reduction of the gross carrying amount of the equity instrument because it represents a partly recuperation of the investment. Amongst other circumstances, the generation date can be considered to be prior to the date of initial recognition if the amounts distributed by the issuer as from the initial recognition are higher than its profits during the same period.

- Commissions, fees and similar items:

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

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

- Non-financial income and expense:

These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments:

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

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

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

2.2.19 Leases

Effective January 1, 2019, IFRS 16 replaced IAS 17 “Leases” (see Note 2.3). The single lessee accounting model requires the lessee to record assets and liabilities for all lease contracts. The standard provides two exceptions to the recognition of lease assets and liabilities that can be applied in the case of short-term contracts and those in which the underlying assets have low value. BBVA has elected to apply both exceptions. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, which is recorded under the headings ‘‘ Tangible assets – Property plants and equipment’’ and‘‘ Tangible assets – Investment properties’’ of the consolidated balance sheet (see Note 17) and a lease liability representing its obligation to make lease payments which is recorded under the heading ‘‘ Financial liabilities at amortized cost – Other financial liabilities’’ in the consolidated balance sheet (see Note 22.5).

At the initial date of the lease, the lease liability represents the present value of all lease unpaid payments. The liabilities registered under this heading of the consolidated balance sheets are measured after their initial recognition at amortized cost, this being determined in accordance with the “effective interest rate” method.

The right to use assets are initially recorded at cost. This cost consists of the initial measurement of the lease liability, any payment made before the initial date less any lease incentives received, all direct initial expenses incurred, as well as an estimate of the expenses to be incurred by the lessee, such as expenses related to the removal and dismantling of the underlying asset. The right to use assets recorded under this heading of the consolidated balance sheets are measured after their initial recognition at cost less:

- The accumulated depreciation and accumulated impairment
- Any remeasurement of the lease liability.

The interest expense on the lease liability is recorded in the consolidated income statements under the heading “Interest expense” (see note 37). Variable payments not included in the initial measurement of the lease liability are recorded under the heading “Administration costs – Other administrative expense” (see Note 44).

Amortization is calculated using the straight-line method over the lifetime of the lease contract, on the basis of the cost of the assets. The tangible asset depreciation charges are recognized in the accompanying consolidated income statements under the heading "Depreciation and Amortization" (see Note 45).

In case of electing one of the exceptions in order not to recognize the corresponding right to use and the liability in the consolidated balance sheets, payments related to the corresponding lease are recognized in the consolidated income statements, over the contract period, lineally, or in the way that best represents the structure of the lease operation, under the heading "Other administrative expense” (see Note 44)

Operating lease and sublease incomes are recognized in the consolidated income statements under the headings “Other operating income” (see Note 42).

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

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

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

If a fair value sale and leaseback results in a lease, the profit or loss generated from the effectively transferred part of the sale is recognized in the consolidated income statement at the time of sale (only for the effective transmitted part).

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

2.2.20 Entities and branches located in countries with hyperinflationary economies

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

Argentina

Since 2018, the economy of Argentina has been considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group’s entities located in Argentina have therefore been adjusted to correct for the effects of inflation in accordance with IAS 29 “Financial reporting in hyperinflationary economies“.

During 2019 and 2018, the increase in the reserves of Group entities located in Argentina derived from the re-expression for hyperinflation (IAS 29) amounts to €470 and €703 million, respectively, of which €313 and €463 million, respectively, have been recorded within “Shareholders’ funds - Retained earnings” and €157 and €240 million, respectively, within “Minority interests – Other”. Furthermore, during 2019 and 2018 the decrease in the reserves of Group entities located in Argentina derived from the conversion (IAS 21) amounted to €460 and €773 million, respectively, of which €305 and €515 million, respectively, have been recorded within “Shareholders’ funds - Retained earnings”, and €155 and €258 million, respectively, within “Minority interests – Other”. The net impact of both effects is presented under the caption “Other increases or (-) decreases in equity” in the consolidated Statement of Changes in Equity for the years ended December 31, 2019 and 2018. The net loss in the profit attributable to the parent company of the Group in 2019 and 2018 derived from the application of IAS 29 amounted to €190 and €209 million, respectively. In addition, there is a net loss in the profit attributable to the parent company of the Group in 2019 and 2018 derived from the application of IAS 21 which amounted to €34 and €57 million, respectively.

The breakdown of the General Price Index (“GPI”) and the inflation index used as of December 31, 2019 for the inflation restatement of the financial statements of the Group companies located in Argentina is as follows:

General Price Index

	2019
GPI	285
Average GPI	233
Inflation of the period	55%

Venezuela

Since 2009, the economy of Venezuela has been considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group’s entities located in Venezuela have therefore been adjusted to correct for the effects of inflation in accordance with IAS 29 “Financial reporting in hyperinflationary economies“.

The losses recognized under the heading “Profit attributable to the parent company” in the accompanying consolidated income statement as a result of the adjustment for inflation on net monetary position of the Group entities in Venezuela amounted to €8, €12 and €13 million in 2019, 2018 and 2017, respectively (see Note 2.2.16).

2.3 Recent IFRS pronouncements

Standards and interpretations that became effective in 2019

The following amendments to the IFRS standards or their interpretations (hereinafter “IFRIC”) became effective in 2019.

IFRS 16 – “Leases”

Effective January 1, 2019, IFRS 16 replaced IAS 17 “Leases”. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases. The standard provides two exceptions to the recognition of lease assets and liabilities that can be applied in the case of short-term contracts and those in which the underlying assets have low value. BBVA has elected to apply both exceptions. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, which is recorded under the headings “Tangible assets – Property plants and equipment” or “Tangible assets – Investment properties” of the consolidated balance sheet (see Note 17) and a lease liability representing its obligation to make lease payments which is recorded under the heading "Financial liabilities at amortized cost – Other financial liabilities" in the consolidated balance sheet (see Note 22.5). In the consolidated income statement, the amortization of the right to use assets is recorded in the heading "Depreciation and amortization – tangible asset" (see Note 45) and the financial cost associated with the lease liability is recorded in the heading "Interest expense" (see Note 37.2).

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

At the transition date, the Group decided to apply the modified retrospective approach which requires recognition of a lease liability equal to the present value of the future payments committed to as of January 1, 2019. Regarding the measurement of the right-of-use asset, the Group elected to record an amount equal to the lease liability, adjusted for the amount of any advance or accrued lease payment related to that lease recognized in the balance sheet before the date of initial application.

The Group´s lease liabilities, as a consequence of the first application of IFRS 16, correspond to the present value of the future lease payments obligations during the lease term (see Note 22.5). This liability on January 1, 2019 does not match with the future minimum payments for operating leases which had been disclosed in Note 35 of the consolidated financial statements for the year 2018 and which were calculated under the previous standard IAS 17. The difference is mainly the result of the discount rate used to determine the present value of the future lease payments as well as the lease term which includes the options to extend and/or early terminate, provided that it is reasonably certain that this option will/will not be exercised. The discount rate used in Spain, the geography which represents the biggest part of the IFRS 16 impact was 1.67% at the moment of the first application.

As of January 1, 2019, the Group recognized assets for the right-of-use and lease liabilities for an amount of €3,419 and €3,472 million, respectively. The impact in terms of capital (CET1) of the Group amounted to -11 basis points.

IFRIC 23 – "Uncertainty over income tax treatments"

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

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

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

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Group's consolidated financial statements.

Amended IAS 28 – "Long-term Interests in associates and joint ventures"

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

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Group's consolidated financial statements.

Annual improvements cycle to IFRSs 2015-2017

The annual improvements cycle to IFRSs 2015-2017 includes minor changes and clarifications to IFRS 3- "Business Combinations", IFRS 11 – "Joint Arrangements", IAS 12 – "Income Taxes" and IAS 23 – "Borrowing Costs". The implementation of these standards as of January 1, 2019 has not had a significant impact on the Group's consolidated financial statements.

Additionally, this project has introduced an amendment to IAS 12 that became effective on January 1, 2019 and meant that the tax impact of the distribution of generated benefits must be recorded in the "Tax expense or income related to profit or loss from continuing operations" line of the consolidated income statement for the year. The amount derived from this amendment to IAS 12 resulted in a credit of €91 million in the consolidated income statement for the year 2019 (see Note 1.3).

Amended IAS 19 – "Plan Amendment, Curtailment or Settlement"

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

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Group´s consolidated financial statements.

Standards and interpretations issued but not yet effective as of December 31, 2019

The following new International Financial Reporting Standards together with their Interpretations had been published at the date of preparation of the accompanying consolidated financial statements, but are not mandatory as of December 31, 2019. Although in some cases the International Accounting Standards Board ("IASB") allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

IAS 1 and IAS 8 – Definition of Material

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

This Standard will be applied to the accounting years starting on or after January 1, 2020. No significant impact on the consolidated financial statements is expected.

IFRS 3 – Definition of a business

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

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

This Standard will be applied to the accounting years starting on or after January 1, 2020. No significant impact on the consolidated financial statements is expected.

Amendments to IFRS 9, IAS 39 and IFRS 7- IBOR Reform

The IBOR Reform (Phase 1) refers to the amendments to IFRS 9, IAS 39 and IFRS 7 issued by the IASB to prevent some hedge accounting from having to be discontinued in the period before the reform of the interest rate references takes place.

In some cases and / or jurisdictions, there may be uncertainty about the future of some interest rate references or their impact on the contracts held by the entity, which directly causes uncertainty about the timing or amounts of the cash flows of the hedged instrument or hedging instrument. Due to such uncertainties, some entities may be forced to discontinue their hedge accounting, or not be able to designate new hedging relationships.

For this reason, the amendments include several reliefs that apply to all hedging relationships that are affected by the uncertainty arising from the IBOR reform; A hedging relationship is affected by the reform if it generates uncertainty about the timing or amount of the cash flows of the hedged instrument or that of a hedging instrument referenced to the particular interest rate benchmark.

Since the purpose of the modification is to provide some relief to the application of certain specific requirements of hedge accounting, these exceptions must end once the uncertainty will be resolved or the hedging relationship ceases to exist.

The modifications will be applicable to the accounting years beginning on or after January 1, 2020 although early application is allowed. The Group has not applied these modifications in advance as of December 31, 2019 because it considers that the existing uncertainty does not affect its hedging relationships to the point that some had to be discontinued. Since 2020, they are not expected to have a significant impact on the consolidated financial statements of the Group.

For additional information on the IBOR Reform see section "Risk factors" of the attached consolidated Management Report.

IFRS 17 – Insurance Contracts

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

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

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

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

This Standard will be applied to the accounting years starting on or after January 1, 2022. During 2019, the Group has established an IFRS 17 implementation project with the objective of harmonizing the criteria in the Group and with the participation of all the affected areas.

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking and asset management. The Group also operates in the insurance sector.

The following information is detailed in the appendices of these consolidated financial statements of the Group for the year ended December 31, 2019:

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

The following table sets forth information related to the Group's total assets as of December 31, 2019, 2018 and 2017, broken down by the Group's entities according to their activity:

Contribution to Consolidated Group total assets. Entities by main activities (Millions of euros)

	2019	2018	2017
Banking and other financial services	667,319	647,164	659,414
Insurance and pension fund managing companies	29,300	26,732	26,134
Other non-financial services	2,071	2,793	4,511
Total	**698,690**	**676,689**	**690,059**

The total assets and results of operations broken down by operating segments are included in Note 6.

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

- Spain

  The Group's activity in Spain is mainly carried out through Banco Bilbao Vizcaya Argentaria, S.A. The Group also has other entities that mainly operate in Spain's banking sector and insurance sector.

- Mexico

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

- South America

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

  The Group owns more than 50% of most of the entities based in these countries. Appendix I shows a list of the entities which, although less than 50% owned by the BBVA Group as of December 31, 2019, are consolidated (see Note 2.1).

- The United States

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

- Turkey

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

- Rest of Europe

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

- Asia-Pacific

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

Significant transactions in the Group in 2019

Divestitures

Sale of BBVA's stake in BBVA Paraguay

On August 7, 2019, BBVA reached an agreement with Banco GNB Paraguay, S.A., an affiliate of Grupo Financiero Gilinski, for the sale of its wholly-owned subsidiary Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay").

The consideration for the acquisition of BBVA Paraguay's shares amounts to approximately $270 million. The above mentioned consideration is subject to regular adjustments for these kind of transactions between the signing and closing dates of the transaction. It is expected that the transaction would result in a capital gain, net of taxes, calculated as of the date of this Annual Report, of approximately €40 million and in a positive impact on the BBVA Group's Common Equity Tier 1 (fully loaded) of approximately 6 basis points. The closing of the transaction is expected during the first quarter of 2020 after obtaining regulatory authorizations from the competent authorities.

Significant transactions in the Group in 2018

Divestitures

Sale of BBVA's stake in BBVA Chile

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

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

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

On November 29, 2017, BBVA reached an agreement with a subsidiary of Cerberus Capital Management, L.P. ("Cerberus") for the creation of a "joint venture" to which an important part of the real estate business of BBVA in Spain is transferred (the "Business").

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

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

Divarian is the company to which the BBVA Group has contributed the Business provided that the effective transfer of several real estate assets (REOs) remains subject to the fulfilment of certain conditions precedent. The final price payable by Cerberus will be adjusted depending on the volume of REOs effectively contributed.

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

Significant transactions in the Group in 2017

Investments

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

4. Shareholder remuneration system

As announced on February 1, 2017, BBVA's Board of Directors, at its meeting held on March, 29, 2017, executed a capital increase to be charged to voluntary reserves for the instrumentation of the last "Dividend Option", being the subsequent shareholders' remunerations fully in cash.

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

Shareholder remuneration scheme "Dividend Option"

Until 2017, the Group implemented a shareholder remuneration system referred to as "Dividend Option".

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

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

Cash Dividends

Throughout 2017, 2018 and 2019, BBVA's Board of Directors approved the payment of the following dividends (interim or final dividends) fully in cash, recorded in "Total Equity- Interim Dividends" and "Total Equity – Retained earnings" of the consolidated balance sheet of the relevant year:

- The Board of Directors, at its meeting held on September 27, 2017, approved the payment in cash of €0.09 (€0.0729 net of withholding tax) per BBVA share as the first gross interim dividend against 2017 results. The total amount paid to shareholders on October 10, 2017, after deducting treasury shares held by the Group's companies, amounted to €599 million and is recognized under the headings "Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2017.
- The Annual General Meeting of BBVA held on March 16, 2018 approved, under item 1 of the Agenda, the payment of a final dividend for 2017, in addition to other dividends previously paid, in cash for an amount equal to €0.15 (€0.1215 net of withholding tax) per BBVA share. The total amount paid to shareholders on April 10, 2018, after deducting treasury shares held by the Group's companies, amounted €996 million and is recognized under heading "Total equity- Retained earnings" of the consolidated balance sheet as of December 31, 2018.
- The Board of Directors, at its meeting held on September 26, 2018, approved the payment in cash of €0.10 (€0.081 net of withholding tax) per BBVA share, as gross interim dividend against 2018 results. The total amount paid to shareholders on October 10, 2018, after deducting treasury shares held by the Group's companies, amounted to €663 million and is recognized under the heading "Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2018.
- The Annual General Meeting of BBVA held on March 15, 2019, approved, under item 1 of the Agenda, the payment of a final dividend for 2018, in addition to other dividends previously paid, in cash for an amount equal to €0.16 (€0.1296 withholding tax)

per BBVA share. The total amount paid to shareholders on April 10, 2019, after deducting treasury shares held by the Group's Companies, amounted to €1,064 million and is recognized under the heading "Total equity- Retained earnings" of the consolidated balance sheet as of December 31, 2019.

- The Board of Directors, at its meeting held on October 2, 2019, approved the payment in cash of €0.10 (€0.081 net of withholding tax rate of 19%) per BBVA share, as gross interim dividend based on 2019 results. The total amount paid to shareholders on October 15, 2019, after deducting treasury shares held by the Group´s companies, amounted to €665 million and is recognized under the heading "Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2019.

The provisional accounting statements prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the amounts agreed on October 2, 2019, mentioned above are as follows:

Available amount for Interim dividend payments (Millions of Euros)

	August, 31, 2019
Profit of BBVA, S.A., after the provision for income tax	1,137
Additional Tier I capital instruments remuneration	276
Maximum amount distributable	**861**
Amount of proposed interim dividend	**667**
BBVA cash balance available to the date	**6,691**

Proposal on allocation of earnings for 2019

The allocation of earnings for 2019 subject to the approval of the Board of Directors at the Annual Shareholders Meeting is presented below:

Allocation of earnings (Millions of Euros)

	December 2019
Profit for year (*)	**2,241**
Distribution	
Interim dividends	667
Final dividend	1,067
Additional Tier 1 securities	419
Voluntary reserves	88

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

5. Earnings per share

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

The calculation of earnings per share is as follows:

Basic and Diluted Earnings per Share

	2019	2018 (4)	2017 (4)
Numerator for basic and diluted earnings per share (millions of euros)			
Profit attributable to parent company	3,512	5,400	3,514
Adjustment: Additional Tier 1 securities (1)	(419)	(447)	(430)
Profit adjusted (millions of euros) (A)	**3,093**	**4,953**	**3,084**
Of which: profit from discontinued operations (net of non-controlling interest) (B)	-	-	-
Denominator for basic earnings per share (number of shares outstanding)			
Weighted average number of shares outstanding (2)	6,668	6,668	6,642
Weighted average number of shares outstanding x corrective factor (3)	6,668	6,668	6,642
Adjusted number of shares - Basic earnings per share (C)	**6,648**	**6,636**	**6,642**
Adjusted number of shares - diluted earnings per share (D)	**6,648**	**6,636**	**6,642**
Earnings per share (*)	**0.47**	**0.75**	**0.46**
Basic earnings per share from continued operations (Euros per share)A-B/C	0.47	0.75	0.46
Diluted earnings per share from continued operations (Euros per share)A-B/D	0.47	0.75	0.46
Basic earnings per share from discontinued operations (Euros per share)B/C	-	-	-
Diluted earnings per share from discontinued operations (Euros per share)B/D	-	-	-

(1) Remuneration in the year related to contingent convertible securities, recognized in equity (see Note 22.4).
(2) Weighted average number of shares outstanding (millions of euros), excluding weighted average of treasury shares during the year.
(3) Corrective factor, due to the capital increase with pre-emptive subscription right, applied for the previous years.
(4) The figures corresponding to 2018 and 2017 have been restated (see Note 1.3)
(*) In 2019 the weighted average number of shares outstanding was 6,668 million (6,668 million and 6,642 million in 2018 and 2017, respectively) and the adjustment of additional Tier 1 securities amounted to €419 million (€447 and €430 million in 2018 and 2017, respectively).

As of December 31, 2019, 2018 and 2017, there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same.

6. Operating segment reporting

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

During 2019, the reporting structure of the BBVA Group's business areas differs from the one presented at the end of the year 2018, as a result of the integration of the Non-Core Real Estate business area into Banking Activity in Spain, which has been renamed "Spain". Additionally, balance sheet intra-group adjustments between Corporate Center and the operating segments have been reallocated to the corresponding operating segments. In addition, certain expenses related to global projects and activities have been reallocated between the Corporate Center and the corresponding operating segments. In order to make the 2019 information comparable as required by IFRS 8 "Information by business segments", figures as of December 31, 2018 and 2017 have been restated in conformity with the new segment reporting structure. The BBVA Group's operating segments are summarized below:

- Spain

  Includes mainly the banking and insurance business that the Group carries out in Spain.

- The United States

  Includes the financial business activity of BBVA USA in the country and the activity of the branch of BBVA, S.A., in New York.

- Mexico

  Includes banking and insurance businesses in this country as well as the activity of its branch in Houston.

- Turkey

  Reports the activity of Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

- South America

  Primarily includes the Group´s banking and insurance businesses in the region. In relation to the sale of BBVA Paraguay, the closing is expected to take place during the first quarter of 2020 (see Note 3).

- Rest of Eurasia

  Includes the banking business activity carried out by the Group in Europe and Asia, excluding Spain.

Lastly, Corporate Center performs centralized Group functions, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings, certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

The breakdown of the BBVA Group's total assets by operating segments as of December 31, 2019, 2018 and 2017, is as follows:

Total assets by operating segments (Millions of Euros)	2019	2018 (1)	2017 (1)
Spain	365,374	354,901	350,520
The United States	88,529	82,057	75,775
Mexico	109,079	97,432	90,214
Turkey	64,416	66,250	78,789
South America	54,996	54,373	75,320
Rest of Eurasia	23,248	18,834	17,265
Subtotal assets by Operating Segments	**705,641**	**673,848**	**687,884**
Corporate Center and adjustments	(6,951)	2,841	2,175
Total assets BBVA Group	**698,690**	**676,689**	**690,059**

(1) The figures corresponding to 2018 and 2017 have been restated (see Note 1.3).

The following table sets forth certain summarized information relating to the income of each operating segment and Corporate Center for the years ended December 31, 2019, 2018 and 2017 and reconciles the income statement of the various operating segments to the consolidated income statement of the Group:

		BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Corporate Center
2019	**Notes**								
Net interest income		18,202	3,645	2,395	6,209	2,814	3,196	175	(233)
Gross income		24,542	5,734	3,223	8,029	3,590	3,850	454	(339)
Operating profit /(loss) before tax		6,398	1,878	705	3,691	1,341	1,396	163	(2,775)
Profit	55.2	**3,512**	**1,386**	**590**	**2,699**	**506**	**721**	**127**	**(2,517)**
2018 (1)									
Net interest income		17,591	3,698	2,276	5,568	3,135	3,009	175	(269)
Gross income		23,747	5,968	2,989	7,193	3,901	3,701	414	(420)
Operating profit /(loss) before tax		8,446	1,840	920	3,269	1,444	1,288	148	(463)
Profit	55.2	**5,400**	**1,400**	**736**	**2,367**	**567**	**578**	**96**	**(343)**
2017 (1)									
Net interest income		17,758	3,810	2,119	5,476	3,331	3,200	180	(357)
Gross income		25,270	6,162	2,876	7,122	4,115	4,451	468	74
Operating profit /(loss) before tax		6,931	1,189	749	2,960	2,143	1,671	181	(1,962)
Profit		**3,514**	**877**	**486**	**2,170**	**823**	**847**	**128**	**(1,817)**

(1) The figures corresponding to 2018 and 2017 have been restated (see Note 1.3).

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

7 Risk management

7.1 Credit risk

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

The general principles governing credit risk management in the BBVA Group are:

- Risks taken should comply with the general risk policy established by the Board of Directors of BBVA.
- Risks taken should be in line with the level of equity and generation of recurring revenue of the BBVA Group prioritizing risk diversification and avoiding relevant concentrations.
- Risks taken should be identified, measured and assessed and there should be management and monitoring procedures, in addition to sound mitigation and control mechanisms.
- Risks should be managed in a prudent and integrated manner during their life cycle and their treatment should be based on the type of risk. In addition, portfolios should be actively managed on the basis of a common metric (economic capital).
- The main criterion when granting credit risks is the capability of the borrower or obligor to fulfill on a timely basis all financial obligations with its business income or source of income without depending upon guarantors, bondsmen or pledged assets.

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

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

The risk function has a decision-making process supported by a structure of committees with a solid governance scheme, which describes their purposes and functioning for a proper performance of their tasks.

7.1.1 Measurement Expected Credit Loss (ECL)

IFRS 9 requires determining the expected credit loss of a financial instrument in a way that reflects an unbiased estimation removing any conservatism or optimism, the time value of money and a forward looking perspective (including the economic forecast).

Therefore the recognition and measurement of expected credit losses (ECL) is highly complex and involves the use of significant analysis and estimation including formulation and incorporation of forward-looking economic conditions into ECL.

Risk Parameters Adjusted by Macroeconomic Scenarios

Expected Credit Loss must include forward looking information, in accordance with IFRS 9, which states that the comprehensive credit risk information must incorporate not only historical information but also all relevant credit information, including forward-looking macroeconomic information. BBVA uses the classical credit risk parameters PD, LGD and EAD in order to calculate the ECL for the credit portfolios.

BBVA´s methodological approach in order to incorporate the forward looking information aims to determine the relation between macroeconomic variables and risk parameters following three main steps:

- Step 1: Analysis and transformation of time series data.
- Step 2: For each dependent variable find conditional forecasting models that are economically consistent.
- Step 3: Select the best conditional forecasting model from the set of candidates defined in Step 2, based on their forecasting capacity.

How economic scenarios are reflected in calculation of ECL

The forward looking component is added to the calculation of the ECL through the introduction of macroeconomic scenarios as an input. Inputs highly depend on the particular combination of region and portfolio, so inputs are adapted to available data regarding each of them.

Based on economic theory and analysis, the main indicators most directly relevant for explaining and forecasting the selected risk parameters (PD, LGD and EAD) are:

- The net income of families, corporates or public administrations.
- The outstanding payment amounts on the principal and interest on the financial instruments.
- The value of the collateral assets pledge to the loan.

BBVA Group approximates these variables by using a proxy indicator from the set included in the macroeconomic scenarios provided by the economic research department.

Only a single specific indicator for each of the three categories can be used and only one of the following core macroeconomic indicators should be chosen as first option:

- The real GDP growth for the purpose of conditional forecasting can be seen as the only "factor" required for capturing the influence of all potentially relevant macro-financial scenarios on internal PDs and LGD.
- The most representative short term interest rate (typically the policy rate or the most liquid sovereign yield or interbank rate) or exchange rates expressed in real terms.
- A comprehensive and representative index of the price of real estate properties expressed in real terms in the case of mortgage loans and a representative and real term index of the price of the relevant commodity for corporate loan portfolios concentrated in exporters or producer of such commodity.

Real GDP growth is given priority over any other indicator not only because it is the most comprehensive indicator of income and economic activity but also because it is the central variable in the generation of macroeconomic scenarios.

Multiple scenario approach under IFRS 9

IFRS 9 requires calculating an unbiased probability weighted measurement of expected credit losses ("ECL") by evaluating a range of possible outcomes, including forecasts of future economic conditions.

The BBVA Research teams within the BBVA Group produce forecasts of the macroeconomic variables under the baseline scenario, which are used in the rest of the related processes of the Bank, such as budgeting, ICAAP and risk appetite framework, stress testing, etc.

Additionally, the BBVA Research teams produced alternative scenarios to the baseline scenario so as to meet the requirements under the IFRS 9 standard.

Alternative macroeconomic scenarios

- For each of the macro-financial variables, BBVA Research produces three scenarios.
- BBVA Research tracks, analyzes and forecasts the economic environment to provide a consistent forward looking assessment about the most likely scenario and risks that impact BBVA's footprint. To build economic scenarios, BBVA Research combines official data, econometric techniques and expert knowledge.
- Each of these scenarios corresponds to the expected value of a different area of the probabilistic distribution of the possible projections of the economic variables.
- The non-linearity overlay is defined as the ratio between the probability-weighted ECL under the alternative scenarios and the baseline scenario, where the scenario's probability depends on the distance of the alternative scenarios from the base one.
- BBVA Group establishes equally weighted scenarios, being the probability 34% for the baseline scenario, 33% for the worst alternative scenario and 33% for the best alternative scenario.

BBVA Group considers three prospective macroeconomic scenarios which are updated periodically (currently every three months). BBVA Research projects a maximum of five years for the macroeconomic variables. The estimation for the next five years of the GDP used in the estimation of the measurement of expected credit loss as of December 31, 2019 is as follows:

GDP for the main geographies:

GDP for the main geographies

	Spain			Mexico			Turkey			The United States		
Date	GDP negative scenario	GDP base scenario	GDP positive scenario	GDP negative scenario	GDP base scenario	GDP positive scenario	GDP negative scenario	GDP base scenario	GDP positive scenario	GDP negative scenario	GDP base scenario	GDP positive scenario
2019	0.96%	1.54%	2.15%	-0.58%	0.23%	1.06%	-0.60%	3.32%	7.06%	1.16%	2.12%	3.13%
2020	1.35%	1.87%	2.42%	0.93%	1.66%	2.39%	-0.68%	2.48%	5.27%	1.00%	1.81%	2.62%
2021	2.01%	2.10%	2.19%	2.05%	2.14%	2.23%	4.60%	4.74%	4.91%	1.84%	1.92%	2.03%
2022	1.85%	1.89%	1.88%	2.07%	2.14%	2.19%	4.28%	4.38%	4.47%	1.83%	1.86%	1.91%
2023	1.81%	1.85%	1.85%	2.11%	2.15%	2.17%	4.31%	4.38%	4.50%	1.88%	1.91%	1.94%

	Peru			Argentina			Colombia		
Date	GDP negative scenario	GDP base scenario	GDP positive scenario	GDP negative scenario	GDP base scenario	GDP positive scenario	GDP negative scenario	GDP base scenario	GDP positive scenario
2019	0.34%	2.92%	5.43%	-7.41%	-2.47%	2.40%	1.93%	3.29%	4.58%
2020	0.32%	2.46%	4.56%	-6.62%	-2.57%	0.85%	1.71%	2.73%	3.74%
2021	3.07%	3.28%	3.49%	2.08%	2.30%	2.51%	3.61%	3.61%	3.61%
2022	3.39%	3.39%	3.39%	1.64%	1.78%	1.88%	3.59%	3.59%	3.59%
2023	3.86%	3.86%	3.86%	1.95%	2.10%	2.23%	3.59%	3.59%	3.59%

The approach in BBVA consists on using the scenario that is the most likely scenario, which is the baseline scenario, consistent with the rest of internal processes (ICAAP, Budgeting…) and then applying an overlay adjustment that is calculated by taking into account the weighted average of the ECL determined by each of the scenarios.

It is important to note that in general, it is expected that the effect of the overlay is to increase the ECL. It is possible to obtain an overlay that does not have that effect, whenever the relationship between macro scenarios and losses is linear. However, the overlay is not expected to reduce the ECL.

7.1.2 Credit risk exposure

In accordance with IFRS 7 "Financial instruments: Disclosures", the BBVA Group's credit risk exposure by headings in the balance sheets as of December 31, 2019 and 2018 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties:

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2019	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**69,503**			
Debt securities	10	26,309			
Equity instruments	10	8,892			
Loans and advances	10	34,303			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,557**			
Loans and advances	11	1,120			
Debt securities	11	110			
Equity instruments	11	4,327			
Financial assets designated at fair value through profit or loss	**12**	**1,214**			
Derivatives (trading and hedging)		**39,462**			
Financial assets at fair value through other comprehensive income		**61,293**			
Debt securities	13	58,841	58,590	250	-
Equity instruments	13	2,420			
Loans and advances to credit institutions	13	33	33	-	-
Financial assets at amortized cost		**451,640**	**402,024**	**33,624**	**15,993**
Loans and advances to central banks		4,285	4,285	-	-
Loans and advances to credit institutions		13,664	13,500	158	6
Loans and advances to customers		394,763	345,449	33,360	15,954
Debt securities		38,930	38,790	106	33
Total financial assets risk		**628,670**			
Total loan commitments and financial guarantees	**33**	**181,116**	**169,663**	**10,452**	**1,001**
Total maximum credit exposure		**809,786**			

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2018	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**59,581**			
Debt securities	10	25,577			
Equity instruments	10	5,254			
Loans and advances	10	28,750			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,135**			
Loans and advances	11	1,803			
Debt securities	11	237			
Equity instruments	11	3,095			
Financial assets designated at fair value through profit or loss	**12**	**1,313**			
Derivatives (trading and hedging)		**38,249**			
Financial assets at fair value through other comprehensive income		**56,365**			
Debt securities	13	53,737	53,734	3	-
Equity instruments	13	2,595			
Loans and advances to credit institutions	13	33	33	-	-
Financial assets at amortized cost		**431,927**	**384,632**	**30,902**	**16,394**
Loans and advances to central banks		3,947	3,947	-	-
Loans and advances to credit institutions		9,175	9,131	34	10
Loans and advances to customers		386,225	339,204	30,673	16,348
Debt securities		32,580	32,350	195	35
Total financial assets risk		**592,571**			
Total loan commitments and financial guarantees	**33**	**170,511**	**161,404**	**8,120**	**987**
Total maximum credit exposure		**763,082**			

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

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

The breakdown by geographical location and Stage of the maximum credit risk exposure, the accumulated allowances recorded and the carrying amount of the loans and advances to customers as of December 31, 2019 and 2018 is shown below:

December 2019

	Gross exposure				Accumulated allowances				Carrying amount			
	Total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Spain (*)	197,058	173,843	14,599	8,616	(5,311)	(712)	(661)	(3,939)	191,747	173,131	13,939	4,677
The United States	57,387	49,744	7,011	632	(688)	(165)	(342)	(182)	56,699	49,580	6,670	450
Mexico	60,099	54,748	3,873	1,478	(2,013)	(697)	(404)	(912)	58,087	54,052	3,469	566
Turkey (**)	43,113	34,536	5,127	3,451	(2,613)	(189)	(450)	(1,974)	40,500	34,347	4,677	1,477
South America (***)	36,265	31,754	2,742	1,769	(1,769)	(366)	(323)	(1,079)	34,497	31,388	2,419	690
Others	839	824	7	9	(8)	(1)	(1)	(6)	832	823	6	2
Total (****)	**394,763**	**345,449**	**33,360**	**15,954**	**(12,402)**	**(2,129)**	**(2,181)**	**(8,093)**	**382,360**	**343,320**	**31,179**	**7,861**

(*) Spain includes all countries where BBVA, S.A. operates.
(**) Turkey includes all countries in which Garanti BBVA operates.
(***) In South America, BBVA Group operates in Argentina, Colombia, Peru, Uruguay and Venezuela.
(****) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2019, the remained balance was €433 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

December 2018

	Gross exposure				Accumulated allowances				Carrying amount			
	Total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Spain (*)	195,447	172,599	12,827	10,021	(5,874)	(713)	(877)	(4,284)	189,574	171,886	11,951	5,737
The United States	57,321	50,665	5,923	733	(658)	(206)	(299)	(153)	56,663	50,459	5,624	580
Mexico	52,858	48,354	3,366	1,138	(1,750)	(640)	(373)	(737)	51,107	47,714	2,992	401
Turkey (**)	43,718	34,883	6,113	2,722	(2,241)	(171)	(591)	(1,479)	41,479	34,712	5,523	1,244
South America (***)	36,098	31,947	2,436	1,715	(1,656)	(338)	(234)	(1,084)	34,442	31,609	2,202	631
Others	783	756	8	19	(19)	-	(1)	(18)	763	755	7	1
Total (****)	**386,225**	**339,204**	**30,673**	**16,348**	**(12,199)**	**(2,070)**	**(2,374)**	**(7,755)**	**374,027**	**337,134**	**28,299**	**8,593**

(*) Spain includes all countries where BBVA, S.A. operates.
(**) Turkey includes all countries in which Garanti BBVA operates.
(***) In South America, BBVA Group operates in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela.
(****) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2018 the remained balance was €540 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

The breakdown by counterparty of the maximum credit risk exposure, the accumulated allowances recorded, as well as the carrying amount by stages of loans and advances to customers as of December 31, 2019 and 2018 is shown below:

December 2019 (Millions of Euros)

	Gross exposure				Accumulated allowances				Net amount			
	Total	**Stage 1**	***Stage 2***	***Stage 3***	**Total**	**Stage 1**	***Stage 2***	***Stage 3***	**Total**	**Stage 1**	***Stage 2***	***Stage 3***
Public administrations	28,281	27,511	682	88	(59)	(15)	(22)	(21)	28,222	27,496	660	66
Other financial corporations	11,239	11,085	136	17	(31)	(19)	(2)	(10)	11,207	11,066	134	8
Non-financial corporations	173,254	148,768	16,018	8,468	(6,465)	(811)	(904)	(4,750)	166,789	147,957	15,114	3,718
Individuals	181,989	158,085	16,523	7,381	(5,847)	(1,283)	(1,252)	(3,312)	176,142	156,801	15,272	4,069
Loans and advances to customers	**394,763**	**345,449**	**33,360**	**15,954**	**(12,402)**	**(2,129)**	**(2,181)**	**(8,093)**	**382,360**	**343,320**	**31,179**	**7,861**

December 2018 (Millions of Euros)

	Gross exposure				Accumulated allowances				Net amount			
	Total	***Stage 1***	***Stage 2***	***Stage 3***	**Total**	***Stage 1***	***Stage 2***	***Stage 3***	***Total***	***Stage 1***	***Stage 2***	**Stage 3**
Public administrations	28,632	27,740	764	128	(84)	(21)	(25)	(38)	28,549	27,719	739	91
Other financial corporations	9,490	9,189	291	11	(22)	(13)	(4)	(4)	9,468	9,176	286	6
Non-financial corporations	169,764	145,875	15,516	8,372	(6,260)	(730)	(1,190)	(4,341)	163,503	145,145	14,327	4,031
Individuals	178,339	156,400	14,102	7,838	(5,833)	(1,305)	(1,155)	(3,372)	172,506	155,094	12,946	4,466
Loans and advances to customers	**386,225**	**339,204**	**30,673**	**16,348**	**(12,199)**	**(2,070)**	**(2,374)**	**(7,755)**	**374,027**	**337,134**	**28,299**	**8,593**

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

The breakdown by counterparty and product of loans and advances, net of loss allowances, as well as the gross carrying amount by type of product, classified in different headings of the assets, as of December 31, 2019, 2018 and 2017 is shown below:

December 2019 (Millions of Euros)	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
By product								
On demand and short notice	-	9	-	118	2,328	595	3,050	3,251
Credit card debt	-	10	1	3	1,940	14,401	16,355	17,608
Commercial debtors		971	-	230	15,976	99	17,276	17,617
Finance leases	-	227	-	6	8,091	387	8,711	9,095
Reverse repurchase loans	-	-	1,817	-	26	-	1,843	1,848
Other term loans	4,240	26,734	4,121	7,795	137,934	160,223	341,047	351,230
Advances that are not loans	35	865	7,743	3,056	951	506	13,156	13,214
LOANS AND ADVANCES	**4,275**	**28,816**	**13,682**	**11,208**	**167,246**	**176,211**	**401,438**	**413,863**
By secured loans								
Of which: mortgage loans collateralized by immovable property		1,067	15	261	23,575	111,085	136,003	139,317
Of which: other collateralized loans	-	10,447	93	2,106	29,009	6,893	48,548	49,266
By purpose of the loan								
Of which: credit for consumption						46,356	46,356	49,474
Of which: lending for house purchase						110,178	110,178	111,636
By subordination								
Of which: project finance loans					12,259		12,259	12,415

December 2018 (Millions of Euros)	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
By product								
On demand and short notice	-	10	-	151	2,833	648	3,641	3,834
Credit card debt	-	8	1	2	2,328	13,108	15,446	16,495
Commercial debtors		948	-	195	16,190	103	17,436	17,716
Finance leases	-	226	-	3	8,014	406	8,650	9,077
Reverse repurchase loans	-	293	477	-	-	-	770	772
Other term loans	3,911	26,839	2,947	7,030	133,573	157,760	332,060	342,264
Advances that are not loans	29	1,592	5,771	2,088	984	498	10,962	11,025
LOANS AND ADVANCES	**3,941**	**29,917**	**9,196**	**9,468**	**163,922**	**172,522**	**388,966**	**401,183**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*1,056*	*15*	*219*	*26,784*	*111,809*	*139,883*	*144,005*
Of which: other collateralized loans	-	*7,179*	*285*	*1,389*	*31,393*	*6,835*	*47,081*	*47,855*
By purpose of the loan								
Of which: credit for consumption						*40,124*	*40,124*	*42,736*
Of which: lending for house purchase						*111,007*	*111,007*	*112,952*
By subordination								
Of which: project finance loans					*13,973*		*13,973*	*14,286*

December 2017 (Millions of Euros)

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

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

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

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

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

This is carried out through a prudent risk policy that consists of the analysis of the financial risk, based on the capacity for reimbursement or generation of resources of the borrower, the analysis of the guarantee, assessing, among others, the efficiency, the robustness and the risk, the adequacy of the guarantee with the operation and other aspects such as the location, currency, concentration or the existence of limitations. Additionally, the necessary tasks for the constitution of guarantees must be carried out - in any of the generally accepted forms (collaterals, personal guarantees and financial hedge instruments) - appropriate to the risk assumed.

The procedures for the management and valuation of collateral are set out in the corporate policies (retail and wholesale), which establish the basic principles for credit risk management, including the management of collaterals assigned in transactions with customers. The criteria for the systematic, standardized and effective treatment of collateral in credit transaction procedures in BBVA Group's wholesale and retail banking are included in the Specific Collateral Rules.

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

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

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

  The summary of the compensation effect (via netting and collateral) for derivatives and securities operations is presented in Note 7.2.2.
- Other financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument (mainly personal guarantees).

As of December 31, 2019 and 2018, BBVA Group had no credit risk exposure of impaired financial assets at fair value through other comprehensive income (see Note 7.1.2).

- Financial assets at amortized cost:
  - Loans and advances to credit institutions: These usually have the counterparty's personal guarantee or pledged securities in the case of repos.
  - Loans and advances to customers: Most of these loans and advances are backed by personal guarantees extended by the customer. There may also be collateral to secure loans and advances to customers (such as mortgages, cash collaterals, pledged securities and other collateral), or to obtain other credit enhancements (bonds or insurances).
  - Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.
- Financial guarantees, other contingent risks and drawable by third parties: these have the counterparty's personal guarantee or other types of collaterals.

The disclosure of impaired loans and advances at amortized cost covered by collateral (see Note 7.1.2), by type of collateral, as of December 31, 2019 and 2018, is the following:

December 2019 (Millions of Euros)						
	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
Impaired loans and advances at amortized cost	15,959	3,396	939	35	221	542
Total	**15,959**	**3,396**	**939**	**35**	**221**	**542**

December 2018 (Millions of Euros)						
	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
Impaired loans and advances at amortized cost	16,359	3,484	1,255	13	317	502
Total	**16,359**	**3,484**	**1,255**	**13**	**317**	**502**

The value of guarantees received as of December 31, 2019 and 2018, is the following:

Guarantees received (Millions of Euros)	2019	2018
Value of collateral	**152,454**	**158,268**
Of which: guarantees normal risks under special monitoring	*14,623*	*14,087*
Of which: guarantees non-performing risks	*4,590*	*5,068*
Value of other guarantees	**35,464**	**16,897**
Of which: guarantees normal risks under special monitoring	*3,306*	*1,519*
Of which: guarantees non-performing risks	*542*	*502*
Total value of guarantees received	**187,918**	**175,165**

The maximum credit risk exposure of impaired financial guarantees and other commitments at December 31, 2019 and 2018 amounts to €1,001 and €987 million, respectively (see Note 7.1.2).

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

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

Scoring

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

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

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

Rating

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

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

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

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

The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 2019:

External *rating*	Internal *rating*	Probability of default (basic points)		
Standard&Poor's List	Reduced List (22 groups)	Average	Minimum from >=	Maximum
AAA	AAA	1	0	2
AA+	AA+	2	2	3
AA	AA	3	3	4
AA-	AA-	4	4	5
A+	A+	5	5	6
A	A	8	6	9
A-	A-	10	9	11
BBB+	BBB+	14	11	17
BBB	BBB	20	17	24
BBB-	BBB-	31	24	39
BB+	BB+	51	39	67
BB	BB	88	67	116
BB-	BB-	150	116	194
B+	B+	255	194	335
B	B	441	335	581
B-	B-	785	581	1,061
CCC+	CCC+	1,191	1,061	1,336
CCC	CCC	1,500	1,336	1,684
CCC-	CCC-	1,890	1,684	2,121
CC+	CC+	2,381	2,121	2,673
CC	CC	3,000	2,673	3,367
CC-	CC-	3,780	3,367	4,243

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

The table below outlines the distribution by probability of default within 12 months and stages of the gross carrying amount of loans and advances to customers in percentage terms of the BBVA Group as of December 31, 2019 and 2018:

Probability of default (basis points)	December 2019		December 2018	
	Subject to 12 month ECL (*Stage* 1)	Subject to lifetime ECL (*Stage* 2)	Subject to 12 month ECL (*Stage* 1)	Subject to lifetime ECL (*Stage* 2)
	%	%	%	%
0 to 2	5.5	-	9.6	-
2 to 5	6.3	-	10.8	0.1
5 to 11	14.6	0.2	6.3	-
11 to 39	24.5	0.8	20.9	0.4
39 to 194	24.5	1.6	30.1	1.8
194 to 1,061	14.0	3.6	12.2	3.6
1,061 to 2,121	1.4	1.2	1.6	1.2
> 2,121	0.4	1.5	0.2	1.2
Total	**91.0**	**9.0**	**91.7**	**8.3**

7.1.5 Impaired secured loan risks

The breakdown of loans and advances, within financial assets at amortized cost, non-performing and accumulated impairment, as well as the gross carrying amount, by counterparties as of December 31, 2019, 2018 and 2017 is as follows:

December 2019 (Millions of Euros)	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central banks	**4,285**	**-**	**(9)**	**-**
General governments	**28,281**	**88**	**(60)**	**0.3%**
Credit institutions	**13,664**	**6**	**(15)**	**-**
Other financial corporations	**11,239**	**17**	**(31)**	**0.2%**
Non-financial corporations	**173,254**	**8,467**	**(6,465)**	**4.9%**
Agriculture, forestry and fishing	3,758	154	(124)	4.1%
Mining and quarrying	4,669	100	(86)	2.1%
Manufacturing	39,517	1,711	(1,242)	4.3%
Electricity, gas, steam and air conditioning supply	12,305	684	(575)	5.6%
Water supply	900	14	(16)	1.6%
Construction	10,945	1,377	(876)	12.6%
Wholesale and retail trade	27,467	1,799	(1,448)	6.6%
Transport and storage	9,638	507	(392)	5.3%
Accommodation and food service activities	8,703	279	(203)	3.2%
Information and communications	6,316	95	(65)	1.5%
Financial and insurance activities	6,864	191	(140)	2.8%
Real estate activities	19,435	782	(527)	4.0%
Professional, scientific and technical activities	4,375	167	(140)	3.8%
Administrative and support service activities	3,415	118	(134)	3.4%
Public administration and defense; compulsory social security	282	5	(6)	1.7%
Education	903	41	(38)	4.5%
Human health services and social work activities	4,696	66	(55)	1.4%
Arts, entertainment and recreation	1,396	47	(39)	3.4%
Other services	7,671	331	(360)	4.3%
Households	**181,989**	**7,381**	**(5,847)**	**4.1%**
LOANS AND ADVANCES	**412,711**	**15,959**	**(12,427)**	**3.9%**

December 2018 (Millions of Euros)

	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central Banks	**3,947**	**-**	**(6)**	**-**
General governments	**28,198**	**128**	**(84)**	**0.4%**
Credit institutions	**9,175**	**10**	**(12)**	**0.1%**
Other financial corporations	**9,490**	**11**	**(22)**	**0.1%**
Non-financial corporations	**170,182**	**8,372**	**(6,260)**	**4.9%**
Agriculture, forestry and fishing	3,685	122	(107)	3.3%
Mining and quarrying	4,952	96	(70)	1.9%
Manufacturing	36,772	1,695	(1,134)	4.6%
Electricity, gas, steam and air conditioning supply	13,853	585	(446)	4.2%
Water supply	1,061	19	(15)	1.8%
Construction	11,899	1,488	(1,007)	12.5%
Wholesale and retail trade	25,833	1,624	(1,259)	6.3%
Transport and storage	9,798	459	(374)	4.7%
Accommodation and food service activities	7,882	315	(204)	4.0%
Information and communication	5,238	113	(72)	2.1%
Financial and insurance activities	6,929	147	(128)	2.1%
Real estate activities	17,272	834	(624)	4.8%
Professional, scientific and technical activities	5,096	204	(171)	4.0%
Administrative and support service activities	3,162	128	(125)	4.0%
Public administration and defense, compulsory social security	319	5	(7)	1.6%
Education	912	31	(31)	3.4%
Human health services and social work activities	4,406	63	(63)	1.4%
Arts, entertainment and recreation	1,323	59	(41)	4.5%
Other services	9,791	386	(382)	3.9%
Households	**178,355**	**7,838**	**(5,833)**	**4.4%**
LOANS AND ADVANCES	399,347	16,359	(12,217)	4.1%

December 2017 (Millions of Euros)

	Non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
General governments	**171**	**(111)**	**0.5%**
Credit institutions	**11**	**(36)**	**0.3%**
Other financial corporations	**12**	**(26)**	**0.1%**
Non-financial corporations	**10,791**	**(7,538)**	**6.3%**
Agriculture, forestry and fishing	166	(123)	4.3%
Mining and quarrying	177	(123)	3.7%
Manufacturing	1,239	(955)	3.6%
Electricity, gas, steam and air conditioning supply	213	(289)	1.8%
Water supply	29	(11)	4.5%
Construction	2,993	(1,708)	20.1%
Wholesale and retail trade	1,706	(1,230)	5.9%
Transport and storage	441	(353)	4.2%
Accommodation and food service activities	362	(222)	4.3%
Information and communication	984	(256)	17.0%
Real estate activities	1,171	(1,100)	7.9%
Professional, scientific and technical activities	252	(183)	3.8%
Administrative and support service activities	188	(130)	6.3%
Public administration and defense, compulsory social security	4	(6)	1.9%
Education	31	(25)	3.4%
Human health services and social work activities	75	(68)	1.7%
Arts, entertainment and recreation	69	(38)	4.6%
Other services	690	(716)	4.3%
Households	**8,417**	**(5,073)**	**4.7%**
LOANS AND ADVANCES	**19,401**	**(12,784)**	**4.5%**

The changes during the years 2019, 2018 and 2017 of impaired financial assets and contingent risks are as follow:

Changes in impaired financial assets and contingent risks (Millions of Euros)

	2019	2018	2017
Balance at the beginning	**17,134**	**20,590**	**23,877**
Additions	9,857	9,792	10,856
Decreases (*)	(5,874)	(6,909)	(7,771)
Net additions	**3,983**	**2,883**	**3,085**
Amounts written-off	(3,803)	(5,076)	(5,758)
Exchange differences and other	(544)	(1,264)	(615)
Balance at the end	**16,770**	**17,134**	**20,590**

(*) Reflects the total amount of impaired loans derecognized from the consolidated balance sheet throughout the year as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries (see Note 21).

The changes during the years 2019, 2018 and 2017 in financial assets derecognized from the accompanying consolidated balance sheet as their recovery is considered unlikely ("write-offs"), is shown below:

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

Changes in impaired financial assets written-off from the balance sheet (Millions of Euros)

	Notes	2019	2018	2017
Balance at the beginning		**32,343**	**30,139**	**29,347**
Acquisition of subsidiaries in the year		-	-	-
Increase		4,712	6,164	5,986
Decrease:		(11,039)	(4,210)	(4,442)
Re-financing or restructuring		(2)	(10)	(9)
Cash recovery	47	(919)	(589)	(558)
Foreclosed assets		(617)	(625)	(149)
Sales (*)		(8,325)	(1,805)	(2,284)
Debt forgiveness		(493)	(889)	(1,121)
Time-barred debt and other causes		(682)	(292)	(321)
Net exchange differences		230	250	(752)
Balance at the end		**26,245**	**32,343**	**30,139**

(*) Includes principal and interest.

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

7.1.6 Loss allowances

Movements in gross accounting balances and accumulated allowances for loan losses during 2019 are recorded on the accompanying consolidated balance sheet as of December 31, 2019, in order to cover the estimated loss allowances in loans and advances and debt securities measured at amortized cost. As for the years ended December 31, 2018 and 2017, the changes in the accumulated allowances are presented):

Changes in gross accounting balances of loans and advances at amortized cost. 2019 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Opening balance	352,282	30,707	16,359	399,347
Transfers of financial assets:	(9,021)	6,279	2,741	-
Transfers from stage 1 to Stage 2	(13,546)	13,546	-	-
Transfers from stage 2 to Stage 1	5,656	(5,656)	-	-
Transfers to Stage 3	(1,571)	(2,698)	4,269	-
Transfers from Stage 3	440	1,087	(1,527)	-
Net annual origination of financial assets	20,296	(2,739)	246	17,804
Becoming write-offs	(152)	(349)	(3,407)	(3,908)
Changes in model / methodology	-	-	-	-
Foreign exchange	1,611	35	16	1,662
Modifications that do not result in derecognition	(1)	(27)	15	(13)
Other	(1,782)	(388)	(11)	(2,180)
Closing balance	363,234	33,518	15,959	412,711

Changes in allowances of loans and advances at amortized cost. 2019 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Opening balance	(2,082)	(2,375)	(7,761)	(12,217)
Transfers of financial assets:	176	(227)	(1,574)	(1,626)
Transfers from stage 1 to Stage 2	126	(649)	-	(523)
Transfers from stage 2 to Stage 1	(38)	273	-	235
Transfers to Stage 3	89	234	(1,810)	(1,487)
Transfers from Stage 3	(1)	(86)	236	149
Net annual origination of allowances	(542)	(116)	(1,711)	(2,370)
Becoming write-offs	130	337	2,789	3,256
Changes in model / methodology	-	-	-	-
Foreign exchange	(30)	(18)	69	20
Modifications that do not result in derecognition	(15)	(149)	(89)	(254)
Other	215	366	183	764
Closing balance	(2,149)	(2,183)	(8,094)	(12,427)

Financial assets at amortized cost. 2018 (Millions of Euros)

	Not credit-impaired			Credit-impaired	Total
	Stage 1	Stage 2		Credit-impaired (Stage 3)	
	Loss allowances	Loss allowances (collectively assessed)	Loss allowances (individually assessed)	Loss allowances	Loss allowances
Opening balance	**(2,237)**	**(1,827)**	**(525)**	**(9,371)**	**(13,960)**
Transfers of financial assets:	-	-	-	-	-
Transfers from *Stage* 1 to *Stage* 2 (not credit-impaired)	208	(930)	(218)	-	(940)
Transfers from *Stage* 2 (not credit - impaired) to *Stage* 1	(125)	619	50	-	544
Transfers to *Stage* 3	55	282	564	(2,127)	(1,226)
Transfers from *Stage* 3 to *Stage* 1 or 2	(7)	(126)	(68)	333	132
Changes without transfers between *Stages*	358	(53)	(260)	(3,775)	(3,730)
New financial assets originated	(1,072)	(375)	(244)	-	(1,692)
Purchased	-	-	-	-	-
Disposals	2	3	-	110	115
Repayments	641	432	118	1,432	2,623
Write-offs	13	14	2	4,433	4,461
Changes in model/ methodology	-	-	-	-	-
Foreign exchange	(84)	72	(93)	343	239
Modifications that result in derecognition	5	10	25	98	138
Modifications that do not result in derecognition	3	(8)	1	(362)	(366)
Other	135	133	20	1,111	1,399
Closing balance	**(2,106)**	**(1,753)**	**(628)**	**(7,777)**	**(12,264)**
Of which: Loans and advances					*(12,217)*
Of which: Debt certificates					*(46)*

Financial assets at amortized cost. 2017 (Millions of Euros) (*)

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

(*) Figures originally reported in the year 2017 in accordance to the applicable regulation.

7.1.7 Refinancing and restructuring transactions

Group policies and principles with respect to refinancing and restructuring transactions

Refinancing and restructuring transactions (see definition in the Glossary) are carried out with customers who have requested such a transaction in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring transaction is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.
- With the aim of increasing the solvency of the transaction, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.
- This analysis is carried out from the overall customer or group perspective.
- Refinancing and restructuring transactions do not in general increase the amount of the customer's loan, except for the expense inherent to the transaction itself.
- The capacity to refinance and restructure a loan is not delegated to the branches, but decided on by the risk units.
- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing and restructuring a loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of the customer's loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of transactions based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the transaction in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.
- Refinancing and restructuring of transactions is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing and restructuring transactions are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group's policy, the conclusion of a loan refinancing and restructuring transaction does not mean the loan is reclassified from "impaired" or "significant increase in credit risk" to normal risk. The reclassification to "significant increase in credit risk" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as unlikely to pay when there are significant doubts that the terms of their refinancing may not be met; or
- "Significant increase in credit risk" until the conditions established for their consideration as normal risk are met.

The assets classified as "Impaired assets" should comply with the following conditions in order to be reclassified to "Significant increase in credit risk":

- The customer has to have paid a significant part of the pending exposure.
- At least one year must have elapsed since its classification as "Impaired asset".
- The customer does not have past due payments.

The conditions established for assets classified as “Significant increase in credit risk” to be reclassified out of this category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan or other objective criteria, demonstrating the borrower´s ability to pay, have been verified; none of its exposures is more than 30 days past-due.
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan and regular payments must have been made during at least half of this probation period; and
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The BBVA Group’s refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non- renegotiated loans in the same portfolios).

For quantitative information on refinancing and restructuring transactions see Appendix XI.

7.1.8 Risk concentration

Policies for preventing excessive risk concentration

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

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

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

- The aim is, as much as possible, to reconcile the customer's credit needs (commercial/financial, short-term/long-term, etc.) with the interests of the Group.
- Any legal limits that may exist concerning risk concentration are taken into account (relationship between risks with a customer and the capital of the shareholder´s entity that assumes them), the markets, the macroeconomic situation, etc.

Risk concentrations by geography

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

Sovereign risk concentration

Sovereign risk management

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

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

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

Valuation and impairment methods

The valuation methods used to assess the instruments that are subject to sovereign risks are the same ones used for other instruments included in the relevant portfolios and are detailed in Note 8.

Specifically, the fair value of sovereign debt securities of European countries has been considered equivalent to their listed price in active markets (Level 1 as defined in Note 8).

Risk related to the developer and Real-Estate sector in Spain

The relative weight of the investment in Real Estate developments has dramatically decreased during the last years, especially since 2014. A corporate sales policy has been rolled out to eliminate those real estate assets from the balance sheet which have been most difficult to be commercialized. The sales of 80% of the Group's share in Divarian and of other performing and NPL wholesale portfolios to Funds and specialized investors have been some of the most relevant transactions (see Note 3).

Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problem risks and legal, etc. It also includes the research department of the BBVA Group (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio.

The policies established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio within a sector is highly cyclic.

Specific policies for analysis and granting of new developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been one of the constant.

The monitoring of the work, the sales and the legal situation of the project are essential aspects for the admission and follow-up of new real estate operations. With regard the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Valuation, Legal, Research and Recoveries. This guarantees coordination and exchange of information in all the processes.

The following strategies have been implemented with customers in the developer sector: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth. Additionally, very restrictive limits have been established for the second-home market and for the of land operations. Feasibility studies, at project level, are performed by doing a contrast analysis in the pre-commercialization phase, with an appropriate funding cycle and in locations with low commercialization risk.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. The tools used include the so-called "watch-list", which is updated monthly with the progress of each client under watch, and the different strategic plans for management of special groups. There are plans that involve an intensification of the review of the portfolio for financing land, while, in the case of ongoing promotions, they are classified based on the rate of progress of the projects. This implies a comparison of the progress of the work and the sales, including a scoreboard which enables the persons in charge to detect timely any deviation from the project's initial plan.

Since 2013, there are no threats of new defaults in the portfolio.

Proper management of the relationship with each customer requires knowledge of various aspects such as an analysis of the company's future viability, the updating of the information on the debtor and the guarantors (their current situation and business course, economic-financial information, debt analysis and generation of funds), and the updating of the appraisal of the assets offered as collateral. BBVA has a classification of debtors according to the provisions in each country, in general, categorizing the degree of problem of each risk.

The volume of restructurings during 2019 and 2018 has not been significant, being close to zero.

Policies applied in the management of real estate assets in Spain

Regarding the financing of real estate, a new regulation has been updated in 2018 in which recommendations for the promotion of residential real estate are established.

The recommendations represent guidelines about how to manage the credit admission activity of BBVA Group entities based on best practices of markets in which this activity is performed. It is expected that a high percentage of the current transactions will be in compliance with the latter.

The guidelines apply to new transactions with clients which are not classified as impaired or Watchlist (WL1 or WL2).

The policies deriving from the guidelines foresee a prudential intervention in a market which has changed its cycle in almost all of the geographies and which is showing a more sustainable behavior in terms of demography, employment and economic and investment capacities.

For quantitative information about the risk related to the developer and Real-Estate sector in Spain see Appendix XII.

7.2 Market risk

7.2.1 Market risk in trading portfolios

Market risk originates in the possibility that there may be losses in the value of positions held due to movements in the market variables that impact the valuation of traded financial products and assets. The main risks can be classified as follows:

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

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

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

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

With respect to the risk measurement models used by the BBVA Group, the Bank of Spain has authorized the use of the internal market risk model to determine bank capital requirements deriving from risk positions on the BBVA, S.A. and BBVA Mexico trading book, which jointly accounted for around 72%, 76% and 70% of the Group's trading-book market risk as of December 31, 2019, 2018 and 2017. For the rest of the geographical areas where the Group operates (applicable mainly to the Group´s South America subsidiaries, Garanti BBVA and BBVA USA), bank capital for the risk positions in the trading book is calculated using the Standardized Approach defined by the Basel Committee on Banking Supervision (which is referred to herein as the "standard model").

The main headings in the consolidated balance sheet of the Group which are exposed to market risk, are positions whose main metric to measure the market risk is the VaR. The table below shows, by accounting line of the consolidated balance sheet as of December 31, 2019, 2018 and 2017, the traded financial products and assets of trading for those geographical areas that use Internal Model (BBVA, S.A. and BBVA Mexico):

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

	December 2019		December 2018		December 2017	
	Main market risk metrics - VaR	Main market risk metrics - Others (*)	Main market risk metrics - VaR	Main market risk metrics - Others (*)	Main market risk metrics - VaR	Main market risk metrics - Others (*)
Assets subject to market risk						
Financial assets held for trading	96,461	1,671	114,156	124	59,008	441
Financial assets at fair value through other comprehensive income	7,089	24,691	5,652	19,125	5,661	24,083
Of which: Equity instruments	-	*1,783*	-	*2,046*	-	*2,404*
Derivatives - Hedging accounting	628	840	688	1,061	829	1,397
Liabilities subject to market risk	-	-	-	-	-	-
Financial liabilities held for trading	74,967	12,677	67,859	11,011	42,468	2,526
Derivatives - Hedging accounting	671	1,183	550	910	1,157	638

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

Although the table above provides information on the financial positions in our trading portfolio subject to market risk and therefore VaR measurement, such information is provided for information purposes only and does not reflect how market risk in trading activity is managed.

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

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

VaR figures are estimated with the following methodologies:

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

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

- VaR: In regulatory terms, the VaR charge incorporates the stressed VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the losses associated with the movements of the risk factors inherent to market operations (including interest-rate risk, exchange-rate risk, equity risk and credit risk, among others). Both VaR and stressed VaR are rescaled by a regulatory multiplier set at three and by the square root of ten to calculate the capital charge.
- Specific Risk - Incremental Risk Capital ("IRC") Quantification of the risks of default and downgrading of the credit ratings of the bond and credit derivative positions in the portfolio. The IRC charge is exclusively applied in entities in respect of which the internal market risk model is used (i.e., BBVA, S.A. and BBVA Mexico). The IRC charge is determined based on the associated losses (calculated at 99.9% confidence level over a one year horizon under the hypothesis of constant risk) due to a rating

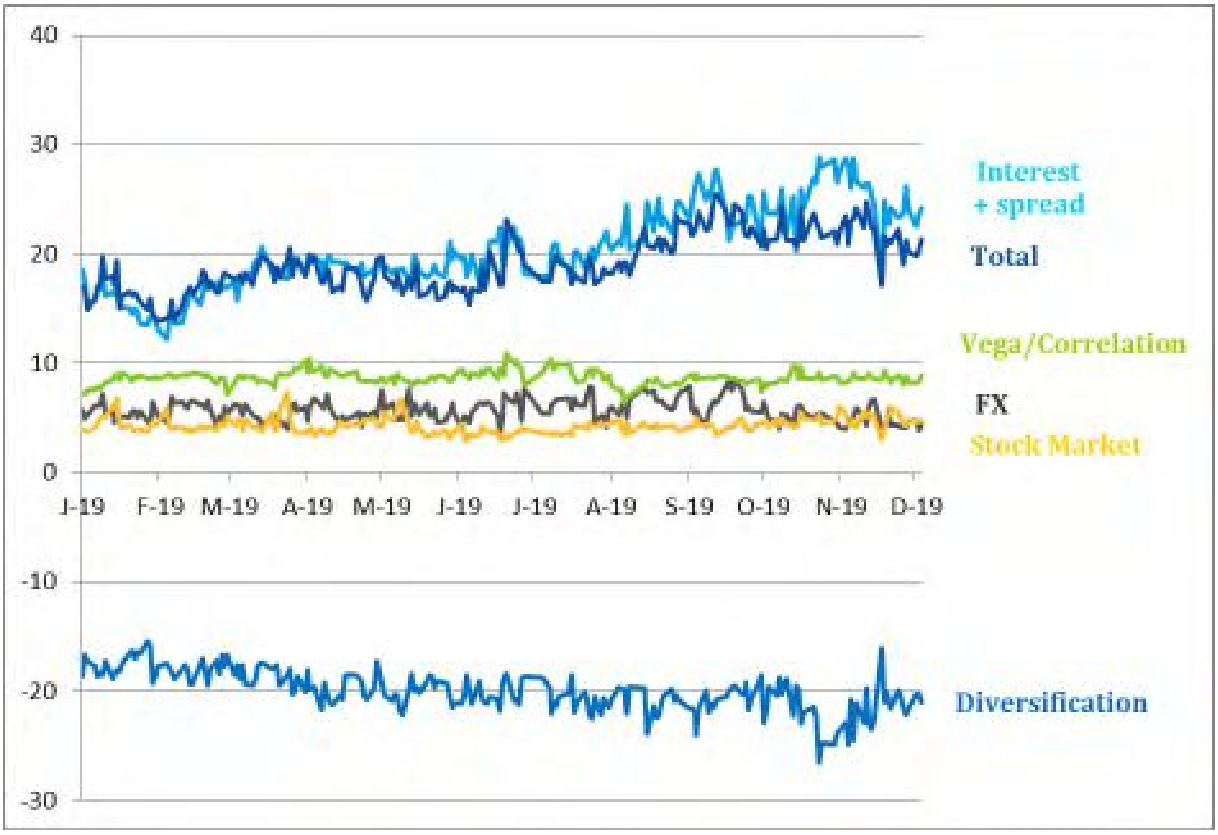
change and/or default of the issuer with respect to an asset. In addition, the price risk is included in sovereign positions for the specified items.

- Specific Risk - Securitization and correlation portfolios. Capital charges for securitizations and correlation portfolios are assessed based on the potential losses associated with the rating level of a specific credit structure. They are calculated by the standard model. The scope of the correlation portfolios refers to the First To Default (FTD)-type market operation and/or tranches of market CDOs and only for positions with an active market and hedging capacity.

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

Market risk in 2019

The Group's market risk related to its trading portfolio remained at low levels compared to other risks managed by BBVA, particularly credit risk. This is due to the nature of the business. In 2019 the average VaR was €19 million, below the figure of 2018, with a high on September 13, 2019 of €25 million. The evolution in the BBVA Group's market risk during 2019, measured as VaR without smoothing (see Glossary) with a 99% confidence level and a 1-day horizon (shown in millions of Euros) is as follows:



By type of market risk assumed by the Group's trading portfolio, the main risk factor for the Group continued to be that linked to interest rates, with a weight of 58% of the total at December 31, 2019 (this figure includes the spread risk). The relative weight of this risk has increased compared with the close of 2018 (55%). Exchange-rate risk accounted for 13% of the total risk, decreasing its weight with respect to December 2018 (14%), while equity, volatility and correlation risk has decreased, with a weight of 29% at the close of 2019 (vs. 31% at the close of 2018).

As of December 31, 2019, 2018 and 2017 the VaR was €20 million, €17 million and €22 million, respectively. The total VaR figures for 2019, 2018 and 2017 can be broken down as follows:

VaR by Risk Factor (Millions of Euros)

	Interest/Spread risk	Currency risk	Stock-market risk	Vega/Correlation risk	Diversification effect(*)	Total
December 2019						
VaR average in the year	21	6	4	9	(20)	19
VaR max in the year	28	6	3	9	(21)	25
VaR min in the year	13	5	5	9	(18)	14
End of period VaR	**24**	**5**	**5**	**8**	**(22)**	**20**
December 2018						
VaR average in the year	20	6	4	9	(20)	21
VaR max in the year	23	7	6	11	(21)	26
VaR min in the year	17	6	4	7	(18)	16
End of period VaR	**19**	**5**	**3**	**7**	**(17)**	**17**
December 2017						
VaR average in the year	25	10	3	13	(23)	27
VaR max in the year	27	11	2	12	(19)	34
VaR min in the year	23	7	4	14	(26)	22
End of period VaR	**23**	**7**	**4**	**14**	**(26)**	**22**

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

Validation of the internal market risk model

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

Two types of backtesting have been carried out in 2019, 2018 and 2017:

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

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

For the period between the year ended December 31, 2018 and the year ended December 31, 2019, the backtesting of the internal VaR calculation model was carried out, comparing the daily results obtained to the risk level estimated by the internal VaR calculation model. At the end of the year the comparison showed the internal VaR calculation model was working correctly, within the "green" zone (0-4 exceptions), thus validating the internal VaR calculation model, as has occurred each year since the internal market risk model was approved for the Group.

Stress testing

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

Historical scenarios

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

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

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

Simulated scenarios

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

The main features of this approach are: a) the generated simulations respect the correlation structure of the data, b) there is flexibility in the inclusion of new risk factors and c) it allows the introduction of a lot of variability in the simulations (desirable for considering extreme events).

The impact of the stress test under multivariable simulation of the risk factors of the portfolio based on the expected shortfall (expected shortfall calculated at a 95% confidence level, 20 days) as of December 31, 2019 is as follows:

Impact of the stress test (Millions of Euros)

	Europe	Mexico	Peru	Venezuela	Argentina	Colombia	Turkey	The United States
Expected shortfall	(112)	(68)	(23)	-	(4)	(5)	(9)	(3)

7.2.2 Financial Instruments offset

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

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

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

Moreover, many of the transactions involving assets purchased or sold under a repurchase agreement are transacted through clearing houses that articulate mechanisms to reduce counterparty risk, as well as through the signing of various master agreements for bilateral transactions, the most widely used being the Global Master Repurchase Agreement (GMRA), published by the International Capital Market Association (“ICMA”), to which the clauses related to the collateral exchange are usually added within the text of the master agreement itself.

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

A summary of the effect of offsetting (via netting and collateral) for derivatives and securities operations is presented below as of December 31, 2019, 2018 and 2017:

December 2019 (Millions of Euros)

					Gross amounts not offset in the consolidated balance sheets (D)		
	Notes	Gross amounts recognized (A)	Gross amounts offset in the consolidated balance sheets (B)	Net amount presented in the consolidated balance sheets (C=A-B)	Financial instruments	Cash collateral received/ pledged	Net amount (E=C-D)
Trading and hedging derivatives	10, 15	37,302	2,388	34,914	25,973	8,210	731
Reverse repurchase, securities borrowing and similar agreements		35,805	21	35,784	35,618	204	(39)
Total Assets		**73,107**	**2,409**	**70,698**	**61,591**	**8,415**	**692**
Trading and hedging derivatives	10, 15	39,646	2,394	37,252	25,973	10,613	667
Repurchase, securities lending and similar agreements		45,977	21	45,956	45,239	420	297
Total Liabilities		**85,623**	**2,414**	**83,209**	**71,212**	**11,033**	**964**

December 2018 (Millions of Euros)

					Gross Amounts Not Offset in the Consolidated Balance Sheets (D)		
	Notes	Gross amounts recognized (A)	Gross amounts offset in the consolidated balance sheets (B)	Net amount presented in the consolidated balance sheets (C=A-B)	Financial instruments	Cash collateral received/ pledged	Net amount (E=C-D)
Trading and hedging derivatives	10, 15	49,908	16,480	33,428	25,024	7,790	613
Reverse repurchase, securities borrowing and similar agreements		28,074	42	28,032	28,022	169	(159)
Total Assets		**77,982**	**16,522**	**61,460**	**53,046**	**7,959**	**454**
Trading and hedging derivatives	10, 15	51,596	17,101	34,494	25,024	6,788	2,682
Repurchase, securities lending and similar agreements		43,035	42	42,993	42,877	34	82
Total liabilities		**94,631**	**17,143**	**77,487**	**67,901**	**6,822**	**2,765**

December 2017 (Millions of Euros)

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

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

7.3 Structural risk

The structural risks are defined, in general terms, as the possibility of sustaining losses due to adverse movements in market risk factors as a result of mismatches in the financial structure of an entity´s balance sheet.

In the Group, the following types of structural risks are defined, according to the nature and the following market factors: interest rate, exchange rate and equity.

The scope of structural risks in the Group is limited to the banking book, excluding market risks in the trading book that are clearly delimited and separated and make up the Market Risks.

The Assets and Liabilities Committee (ALCO) is the main responsible body for the management of structural risks regarding liquidity/ funding interest rate, currency, equity and solvency. Every month, with the participation of the CEO and representatives from the areas of Finance, Risks and Business Areas, this committee monitors the structural risks and is presented with proposals for managing them for its approval. These management proposals are made proactively by the Finance area, taking into account the risk appetite framework and with the aim of guaranteeing recurrent earnings and financial stability and preserving the entity's solvency. All balance management units have a local ALCO, which is permanently attended by members of the corporate center, and there is a corporate ALCO where management strategies are monitored and presented in the Group's subsidiaries.

Global Risk Management (GRM) area acts as an independent unit, ensuring adequate separation between the management and risk control functions, and is responsible for ensuring that the structural risks in the Group are managed according to the strategy approved by the Board of Directors.

Consequently, GRM deals with the identification, measurement, monitoring and control of those risks and their reporting to the corresponding corporate bodies. Through the Global Risk Management Committee (GRMC), it performs the function of control and risk assessment and is responsible for developing the strategies, policies, procedures and infrastructure necessary to identify, evaluate, measure and manage the significant risks that the BBVA Group faces. To this end, GRM, through the corporate unit of Structural Risks, proposes a scheme of limits and alerts that defines the risk appetite set for each of the relevant structural risk types, both at Group level and by management units, which will be reviewed annually, reporting the situation periodically to the Group's corporate bodies as well as to the GRMC.

In addition, both, the management as well as the control and measurement system of the structural risks need to be adjusted necessarily to the Group’s internal control model, in compliance therefore with the related evaluation and certification processes included. In this regard, the required tasks and controls have been identified and documented, which allows the Bank to dispose of a regulatory framework that includes precise processes and measures for structural risks with a global perspective from a geographical point of view.

BBVA’s internal control model, which is based on the high standards, is included within the three lines of defense. The Finance area is the first line of defense, by being in charge of the structural risk management, whereas GRM is in charge of the identification of the risks and establishes policies and control models, which are periodically evaluated with regard to their performance.

Within the second line of defense are located Internal Risk Control, which independently reviews the structural risk controls, and one entity of Internal Financial Control, which reviews the design and the effectiveness of the operating management controls.

Internal Audit, which works with total independence, represents the third line of defense and reviews specific controls and processes.

7.3.1 Structural interest rate risk

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

The exposure of a financial entity to adverse interest rates movements is a risk inherent to the development of the banking business, which is also, in turn, an opportunity to create economic value. Therefore, interest rate risk must be effectively managed so that it is limited in accordance with the entity’s equity and in line with the expected economic result.

This function falls to the Global ALM (Asset & Liability Management) unit, within the Finance area, who, through ALCO, aims to guarantee the recurrence of results and preserve the solvency of the entity, always adhering to the risk profile defined by the management bodies of the BBVA Group. The interest rate risk management of the balance sheet aims to promote the stability of the net interest income and book value with respect to changes in market interest rates, types of markets in the different balance-sheets, while respecting solvency and internal limits, as well as complying with current and future regulatory requirements. Likewise, a specific monitoring of the banking book instruments registered at market value (fair value) is developed, which due to their accounting treatment have an impact on results and / or equity.

In this regard, the BBVA Group maintains an exposure to fluctuations on interest rates according to its objective strategy and risk profile, being carried out in a decentralized and independent manner in each of the banking entities that compose its structural balance-sheet.

The management is carried out in accordance with the guidelines established by the European Banking Authority (EBA), with a monitoring of interest rate risk metrics, with the aim of analyzing the potential impact that could be derived from the range of scenarios in the different balance-sheets of the Group.

Nature of Interest Rate Risk

Repricing risk arises due to the difference between the repricing or maturity terms of the assets and liabilities, and represents the most frequent interest rate risk faced by financial entities. However, other sources of risk as changes in the slope and shape of the yield curve, the reference to different indexes and the optionality risk embedded in certain banking transactions, are also taken into account by the risk control system.

BBVA's structural interest-rate risk management process is formed from a set of metrics and tools that enables the capture of additional sources to properly monitor the risk profile of the Group, backed-up by an assumptions set that aims to characterize the behavior of the balance sheet items with the maximum accuracy.

The IRRBB measurement is carried out on a monthly basis, and includes probabilistic measures based on methods of scenario simulation, which enables to capture additional sources of risk to the parallel shifts, as the changes in slope and shape of the yield curve. Additionally, sensitivity analysis to multiple parallel shocks of different magnitude are also assessed on a regular basis. The process is run separately for each currency to which the Group is exposed, considering, at a later stage, the diversification effect among currencies and business units.

The risk measurement model is complemented by the assessment of ad-hoc scenarios and stress tests. As stress testing has become more relevant during the recent years, the evaluation of extreme scenarios of rupture of historical interest rates levels, correlations and volatility has continued to be enhanced, while assessing, also, BBVA Research market scenarios.

During 2019 the Group has worked on the enhancement of the control and management model according to the guidelines established by the EBA on the management of interest rate risk in the banking book. It is worth highlighting, among other aspects, the reinforcement of stress analysis incorporating the assessment of the impacts on the main balance sheets of the Group that could derive from the range of interest rate scenarios defined in accordance with the aforementioned EBA guidelines.

Key assumptions of the model

In order to measure structural interest rate risk, the setting of assumptions on the evolution and behavior of certain balance sheet items is particularly relevant, especially those related to products without an explicit or contractual maturity.

The assumptions that characterize these balance sheet items must be understandable for the areas and bodies involved in risk management and control and remain duly justified and documented. The modeling of these assumptions must be conceptually reasonable and consistent with the evidence based on historical experience, reviewed at least once a year.

In view of the heterogeneity of the financial markets and the availability of historical data, each one of the entities of the Group is responsible for determining the behavior assumptions to be applied to the balance sheet items, always under the guidelines and the applicability of the corporate models existing in the Group.

Among the balance sheet assumptions stand out those established for the treatment of items without contractual maturity, mainly for demand customer deposits, and those related to the expectations on the exercise of interest rate options, especially those relating to loans and deposits subject to prepayment risk.

For the modeling of demand deposits, a segmentation of the accounts in several categories is previously carried out depending on the characteristics of the customer (retail / wholesale) and the product (type of account / transactionality / remuneration), in order to outline the specific behavior of each segment.

In order to establish the remuneration of each segment, the relationship between the evolution of market interest rates and the interest rates of managed accounts is analyzed, with the aim of determining the translation dynamic (percentages and lags) of interest rates variations to the remuneration of the accounts.

The behavior assigned to each category of accounts is determined by an analysis of the historical evolution of the balances and the probability of cancellation of the accounts. For this, the volatile part of the balance assigned to a short-term maturity is isolated, thus avoiding fluctuations in the level of risk caused by specific variations in the balances and promoting stability in the management of the balance. Once the stable part is identified, a medium / long term maturity model is applied through a decay distribution based on the average term of the accounts and the conditional cancellation probabilities throughout the life of the product.

Additionally, the relationship of the evolution of the balance of deposits with the levels of market interest rates is taken into account, where appropriate, including the potential migration between the different types of deposits (on demand / time deposits) in the different interest rate scenarios.

Equally relevant is the treatment of early cancelation options embedded in credit loans, mortgage portfolios and customer deposits. The evolution of market interest rates may condition, along with other variables, the incentive that customers have to prepay loans or deposits, modifying the future behavior of the balance amounts with respect to the forecasted contractual maturity schedule.

The detailed analysis of the historical information related to prepayment data, both partial and total prepayment, combined with other variables such as interest rates, allows estimating future amortizations and, where appropriate, their behavior linked to the evolution of such variables.

The approval and updating of the risk behavior models of structural interest rate risk are subject to corporate governance under the scope of GRM-Analytics. In this way, the models must be properly inventoried and cataloged and comply with the requirements established in the internal procedures for their development, updating and management of the changes. The models are also subject to the corresponding internal validations based on their relevance and the established monitoring requirements.

The table below shows the profile of average interest rate risk in terms of sensitivities of the main banks in the BBVA Group in 2019:

Sensitivity to interest-rate analysis - December 2019

	Impact on net interest income (*)		**Impact on economic value (**)**	
	100 basis-point increase	**100 basis-point decrease**	**100 basis-point increase**	**100 basis-point decrease**
Europe (***)	+ (5% - 10%)	- (0% - 5%)	+ (0% - 5%)	- (0% - 5%)
Mexico	+ (0% - 5%)	- (0% - 5%)	+ (0% - 5%)	- (0% - 5%)
The United States	+ (5% - 10%)	- (5% - 10%)	- (5% - 10%)	+ (0% - 5%)
Turkey	+ (0% - 5%)	- (0% - 5%)	- (0% - 5%)	+ (0% - 5%)
South America	+ (0% - 5%)	- (0% - 5%)	- (0% - 5%)	+ (0% - 5%)
BBVA Group	**+ (0% - 5%)**	**- (0% - 5%)**	**- (0% - 5%)**	**- (0% - 5%)**

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

In 2019 in Europe monetary policy has remained expansionary, implementing in the last part of the year a new package of measures to boost the economy and the financial system in response to a weaker global economic environment. This environment, coupled with uncertainty about trade policy and low inflation led the Federal Reserve of the United States to begin a process of interest rate cuts. Both monetary authorities, taking into account the recent signals regarding a stabilization of the economic growth, have not changed the interest rates during the last months. In Mexico and Turkey, a bearish cycle was initiated in the second half of the year due to economic weakness and inflation prospects. In South America, monetary policy has been expansive, with declines in the economies of Chile and Peru, caused by the slowdown of the activity and the contained inflation, while in Colombia interest rates have remained flat. On the other hand, in Argentina there is a restrictive monetary policy, with a strong increase in interest rates due to the strong volatility of the markets after the election result.

BBVA maintains, at the aggregate level, a favorable position in net interest income in the event of an increase in interest rates, as well as a moderate risk profile, in line with its target, through effective management of structural balance sheet risk. The higher net interest income sensitivities are observed in, particularly the Euro and USD.

- In Europe, the decrease in interest rates is limited by current levels, preventing extremely adverse scenarios.
- In the United States, the net interest margin sensitivity has decreased during 2019 due to the downward trend of interest rates, showing therefore a moderate risk profile.
- Mexico shows a high level of stability between the balance sheets referenced to fixed and variable interest rates, keeping limited net interest income sensitivity throughout 2019.
- In Turkey, the evolution of the balance sheets in Turkish lira and USD has been positive, with very moderate interest rate risk, which has allowed to reduce sensitivity during the year.
- In South America, the balance sheet profiles in the countries which this business area comprises have remained stable, showing a low interest rate risk with an almost stable sensitivity during the year.

7.3.2 Structural exchange-rate risk

Structural exchange rate risk, inherent to the business of international banking groups that develop their activities in different geographies and currencies, is defined as the possibility of impacts on solvency, equity value and results driven by fluctuations in the exchange rates due to exposures in foreign currencies.

In the 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 management of permanent foreign currency exposures, taking diversification into account.

The corporate Global ALM unit, through ALCO, designs and executes hedging strategies with the main purpose of preserving the stability of consolidated capital ratios and income flows generated in a currency other than the euro in the BBVA Group, keeping a value generation perspective to preserve the Group's equity in the long term. To this end, a dynamic management strategy is carried out, considering hedge transactions according to market expectations and their costs.

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

The suitability of these risk assessment metrics is reviewed on a regular basis through back-testing exercises. The final element of structural exchange-rate risk control is the stress and scenario analysis aimed to assess the vulnerabilities of foreign currency structural exposure not contemplated by the risk metrics and to serve as an additional tool when making management decisions. The scenarios are based both on historical situations simulated by the risk model and on the risk scenarios provided by BBVA Research.

As of December 31, 2019, it is worth mentioning the appreciation of the main currencies of the geographies where the Group operates against the euro, especially the Mexican peso (6%) and the US Dollar (2%). The Turkish lira (-9%) and the Argentinian peso (-36%) have depreciated, the latter being affected by idiosyncratic factors.

The Group's structural exchange-rate risk exposure level has slightly increased since the end of 2018 driven by the effect of currencies appreciation. The hedging policy intends to keep low levels of sensitivity to movements in the exchange rates of emerging markets currencies against the euro and focuses mainly on the Mexican peso and the Turkish lira. The risk mitigation level in the capital ratio due to the book value of the BBVA Group's holdings in foreign emerging markets currencies stood at around 65% and, as of the end of 2019, CET1 ratio sensitivity to the depreciation of 10% in the euro exchange rate for each currency was: USD +11 bp; Mexican peso -4 bps; Turkish Lira -2 bps; other currencies -1 bp (excluding hyperinflation economies). On the other hand, hedging of emerging markets currency denominated earnings in 2019 was 52%, concentrated in Mexican peso, Turkish lira and the main Latin American currencies.

7.3.3 Structural equity risk

Structural equity risk refers to the possibility of suffering losses in the value of positions in shares and other equity instruments held in the banking book with long or medium term investment horizons due to fluctuations in the value of equity indexes or shares.

BBVA Group's exposure to structural equity risk arises largely from minority shareholdings held on industrial and financial companies. This exposure is modulated in some portfolios with positions held on derivative instruments on the same underlying assets, in order to adjust the portfolio sensitivity to potential changes in equity prices.

The management of structural equity portfolios is a responsibility of Global ALM and other Group's units specialized in this area. Their activity is subject to the risk management corporate policy on structural equity risk management, complying with the defined management principles and Risk Appetite Framework.

The structural equity risk metrics, designed by GRM according to the corporate model, contribute to the effective monitoring of the risk by estimating the sensitivity and the capital necessary to cover the possible unexpected losses due to changes in the value of the shareholdings in the Group's investment portfolio, with a level of confidence that corresponds to the objective rating of the entity, taking into account the liquidity of the positions and the statistical behavior of the assets to be considered

In order to analyze the risk profile in depth, stress tests and scenario analysis of sensitivity to different simulated scenarios are carried out. They are based on both past crisis situations and forecasts made by BBVA Research. These analyses are carried out regularly to assess the vulnerabilities of structural equity exposure not contemplated by the risk metrics and to serve as an additional tool when making management decisions.

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

With regard to the equity markets, the world indexes have closed the year 2019 with generalized gains and volatility moderation in a macro environment of global growth slowdown.

Structural equity risk, measured in terms of economic capital, has remained fairly stable in the period. The aggregate sensitivity of the BBVA Group's consolidated equity to a 1% fall in the price of shares of the companies making up the equity portfolio decreased to -€26 million as of December 31, 2019, compared to -€29 million as of December 31, 2018. This estimation takes into account the exposure in shares valued at market prices, or if not applicable, at fair value (excluding the positions in the Treasury Area portfolios) and the net delta-equivalent positions in derivatives on the same underlyings.

7.4 Liquidity and funding risk

Liquidity and funding risk is defined as the incapacity of a bank in meeting its payment commitments for missing resources or that, to face those commitments, should have to make use of funding under burdensome terms.

7.4.1 Liquidity and Funding Strategy and Planning

The BBVA Group is a multinational financial institution whose business is focused mainly on retail and commercial banking activities. In addition to the retail business model, which forms the core of its business, the Group engages in corporate and investment banking, through the global CIB (Corporate & Investment Banking) division.

Liquidity and funding risk management aims to maintain a solid balance sheet structure which allows a sustainable business model. The Group's liquidity and funding strategy is based on the following pillars:

- The principle of the funding self-sufficiency of its subsidiaries, meaning that each of the Liquidity Management Units (LMUs) must cover its funding needs independently on the markets where it operates. This avoids possible contagion due to a crisis affecting one or more of the Group's LMUs.
- Stable customer deposits as the main source of funding in all the LMUs, in accordance with the Group's business model.
- Diversification of the sources of wholesale funding, in terms of maturity, market, instruments, counterparties and currencies, with recurring access to the markets.
- Compliance with regulatory requirements, ensuring the availability of ample liquidity buffers, as well as sufficient instruments as required by regulations with the capacity to absorb losses.
- Compliance with the internal Liquidity Risk and Funding metrics, while adhering to the Risk Appetite level established for each LMU at any time.

Liquidity and funding risk management aims to ensure that in the short term a bank does not have any difficulties in meeting its payment commitments in due time and form, and that it does not have to make use of funding under burdensome terms, or conditions that deteriorate its image or reputation.

In the medium term the aim is to ensure that the Group's financing structure is ideal and that it is moving in the right direction with respect to the economic situation, the markets and regulatory changes.

This management of structural and liquidity funding is based on the principle of financial self-sufficiency of the entities that make it up. This approach helps prevent and limit liquidity risk by reducing the Group's vulnerability during periods of high risk. This decentralized management prevents possible contagion from a crisis affecting only one or a few Group entities, which must act independently to meet their liquidity requirements in the markets where they operate.

As one aspect of this strategy, BBVA Group is organized into eleven LMUs composed of the parent and the banking subsidiaries in each geographical area, plus the independent branches.

In addition, the policy for managing liquidity and funding risk is also based on the model's robustness and on the planning and integration of risk management into the budgeting process of each LMU, according to the appetite for funding risk it decides to assume in its business.

Liquidity and funding planning is drawn up as part of the strategic processes for the Group's budgetary and business planning. It allows a recurring growth of the banking business with suitable maturities and costs within the established risk tolerance levels by using a wide range of instruments which allow the diversification of the funding sources and the maintenance of a high volume of available liquid assets.

7.4.2 Governance and monitoring

The responsibility for liquidity and funding management in normal business activity lies with the Finance area as a first line of defense in managing the risks inherent to this activity, in accordance with the principles established by the European Banking Authority EBA and in line with the standards, policies, procedures and controls in the framework established by the governing bodies. The Finance department, through the Balance-Sheet Management area, plans and executes the funding of the structural long-term gap of each LMU and proposes to the Assets and Liabilities Committee (ALCO) the actions to be taken on this matter, in accordance with the policies established by the Risk and Compliance Committee in line with the metrics of the Risk Appetite Framework approved by the Board of Directors.

The Finance area, in its regulatory liquidity reporting function, coordinates the processes necessary to meet any reporting requirements that may be generated at corporate and regulatory level, with the areas responsible for this reporting in each LMU, thereby monitoring the integrity of the information supplied.

GRM is responsible for ensuring that liquidity and funding risk in the Group is managed according to the strategy approved by the Board of Directors. It is also responsible for identifying, measuring, monitoring and controlling those risks and reporting to the proper corporate governing bodies. To carry out this work adequately, the risk function in the Group has been set up as a single, global function that is independent of the management areas.

In addition, the Group has an Internal Risk Control unit that conducts an independent review of Liquidity and Funding Risk control and management, independently of the functions performed in this area by Internal Audit. Additionally, the Group has in its second line of defense an Internal Risk Control unit, which performs independent reviews of the Liquidity and Funding risk controls, and an Internal Financial Control unit, which reviews the design and effectiveness of the operating management controls and the liquidity reporting.

As a third line of defense in the Group's internal control model, Internal Audit is in charge of reviewing specific controls and processes in accordance with an annual work plan.

The Group's fundamental objectives regarding the liquidity and funding risk are determined through the Liquidity Coverage Ratio (LCR) and through the Loan-to-Stable Customer Deposits (LtSCD) ratio.

The LCR ratio is a regulatory metric that aims to guarantee the resilience of entities in a scenario of liquidity tension within a time horizon of 30 days. Within its risk appetite framework and system of limits and alerts, BBVA has established a required LCR compliance level for the entire Group and for each individual LMU. The required internal levels aim to comply efficiently and sufficiently in advance with the implementation of the regulatory requirement at a level above 100%.

The LtSCD ratio measures the relationship between net lending and stable customer funds. The aim is to preserve a stable funding structure in the medium term for each LMU making up the BBVA Group, taking into account that maintaining an adequate volume of stable customer funds is key to achieving a sound liquidity profile. In geographical areas with balance sheets with two currencies, the indicator is also controlled by currency to manage the mismatches that might occur.

Stable customer funds can be considered as those obtained and managed from the LMUs among their target customers. Those funds are characterized by their low sensitivity to market changes and by their less volatile behavior at aggregated level per operation due to the loyalty of the customer to the entity. The stable resources are calculated by applying to each identified customer segment a haircut determined by the analysis of the stability if the balances by which different aspects are evaluated (concentration, stability, level of loyalty). The main source of stable resources arises from wholesale funding and retail customer funds.

In order to establish the target (maximum) levels of LtSCD in each LMU and provide 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 different geographical areas.

Additionally, liquidity and funding risk management aims to achieve a proper diversification of the funding structure, avoiding excessive reliance on short-term funding by establishing a maximum level for the short-term funds raised, including both wholesale funding and customer funds. The residual maturity profile of long-term wholesale funding has no significant concentrations, which matches the schedule of planned issues to the best possible financial conditions of markets, as shown in the table below. Finally, concentration risk is monitored at LMU level, with the aim of ensuring a correct diversification of both the counterparty and type of instrument.

One of the fundamental metrics within the general management framework of the liquidity and funding risk is the maintaining of a liquidity buffer consisting of high quality assets free of charges which can be sold or offered as guarantees to obtain funding, either under normal market conditions or in stress situations.

The Finance area is responsible for the collateral management and determining the liquidity buffer within the BBVA Group. According to the principle of auto-sufficiency of the subsidiaries, every LMU is responsible for the holding of a buffer of liquid assets which comply with the regulatory requirements applicable under each jurisdiction. In addition, the liquidity buffer of each LMU should be aligned with the liquidity and funding risk tolerance as well as the management limits set and approved for each case.

In this context, the short-term resistance of the liquidity risk profile is promoted, guaranteeing that each LMU has sufficient collateral to deal with the risk of the close of wholesale markets. 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 up to one year, with special relevance being given to 30-day 90-day maturities, in order to maintain the survivability period above the 3 months with the available buffer, not taking into consideration the inflows of the balance sheet.

Stress tests are carried out as a fundamental element of the liquidity and funding risk monitoring scheme. They enable anticipating deviations from the liquidity targets and the limits set in the appetite, and establishing tolerance ranges in the different management areas.

They also play a major role in the design of the Liquidity Contingency Plan and the definition of specific measures to be adopted to rectify the risk profile if necessary.

For each scenario, it is checked whether BBVA has a sufficient stock of liquid assets to guarantee its capacity to meet the liquidity commitments/outflows in the different periods analyzed. The analysis considers four scenarios: one central 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 entity's customers; and a mixed scenario, as a combination of the two aforementioned scenarios). Each scenario considers the following factors: existing market liquidity, customer behavior and sources of funding, the impact of rating downgrades, market values of liquid assets and collateral, and the interaction between liquidity requirements and the development of the LMU's asset quality.

The stress tests conducted on a regular basis reveal that BBVA maintains a sufficient buffer of liquid assets to deal with the estimated liquidity outflows in a scenario resulting from the combination of a systemic crisis and an unexpected internal crisis, during a period of longer than 3 months in general for the different LMUs, including in the scenario of a significant downgrade of the Bank's rating by up to three notches.

Together with the results of the stress tests and the risk metrics, the early warning indicators play an important role within the corporate model and the Liquidity Contingency Plan. They are mainly indicators of the funding structure, in relation to asset encumbrance, counterparty concentration, flights of customer deposits, unexpected use of credit facilities, and of the market, which help anticipate possible risks and capture market expectations.

Finance is the area responsible for the elaboration, monitoring, execution and update of the liquidity and funding plan and of the market access strategy to guarantee and improve the stability and diversification of the wholesale funding sources.

In order to implement and establish management in an anticipated manner, limits are set on an annual basis for the main management metrics that form part of the budgeting process for the liquidity and funding plan. This framework of limits contributes to the planning of the joint future performance of:

- The loan book, considering the types of assets and their degree of liquidity, as well as their validity as collateral in collateralized funding.
- Stable customer funds, based on the application of a methodology for establishing which segments and customer balances are considered to be stable or volatile funds based on the principle of sustainability and recurrence of these funds.
- Projection of the credit gap, in order to require a degree of self-funding that is defined in terms of the difference between the loan-book and stable customer funds.
- Incorporating the planning of securities portfolios into the banking book, which include both fixed-interest and equity securities, and are classified as financial assets at fair value through other comprehensive income and at amortized cost, and additionally on trading portfolios.
- The structural gap projection, as a result of assessing the funding needs generated both from the credit gap and by the securities portfolio in the banking book, together with the rest of on-balance-sheet wholesale funding needs, excluding trading portfolios. This gap therefore needs to be funded with customer funds that are not considered stable or on wholesale markets.

As a result of these funding needs, BBVA Group plans the target wholesale funding structure according to the tolerance set in each LMU target.

Thus, once the structural gap has been identified and after resorting to wholesale markets, the amount and composition of wholesale structural funding is established in subsequent years, in order to maintain a diversified funding mix and guarantee that there is not a high reliance on short-term funding (short-term wholesale funding plus volatile customer funds).

In practice, the execution of the principles of planning and self-funding at the different LMUs results in the Group's main source of funding being customer deposits, which consist mainly of demand deposits, savings deposits and time deposits.

As sources of funding, customer deposits are complemented by access to the interbank market and the domestic and international capital markets in order to address additional liquidity requirements, implementing domestic and international programs for the issuance of commercial paper and medium and long-term debt.

The process of analysis and assessment of the liquidity and funding situation and of the inherent risks is a process carried out on an ongoing basis in the BBVA Group, with the participation of all the Group areas involved in liquidity and funding risk management. This process is carried out at both local and corporate level. It is incorporated into the decision- making process for liquidity and funding management, with integration between the risk appetite strategy and establishment and the planning process, the funding plan and the limits scheme.

7.4.3 Liquidity and funding performance

During 2019, the BBVA Group has maintained a robust and dynamic funding structure with a predominantly retail nature, where customer resources represent the main source of funding.

Thus, the performance of the indicators show that the robustness of the funding structure remained steady during 2019, 2018 and 2017, in the sense that all LMUs held self-funding levels with stable customer resources above the requirements.

LtSCD by LMU

	December 2019	December 2018	December 2017
Group (average)	**108%**	**106%**	**110%**
Eurozone	108%	101%	108%
BBVA Mexico	116%	114%	109%
BBVA USA	111%	119%	109%
Garanti BBVA	99%	110%	122%
Other LMUs	103%	99%	108%

With respect to LCR, the Group has maintained a liquidity buffer at both consolidated and individual level in 2019. This has maintained the ratio easily above 100%, with the consolidated ratio as of December 2019 standing at 129%.

Although this requirement is only established at Group level and banks in the Eurozone, the minimum level required is easily exceeded in all the subsidiaries. It should be noted that the construction of the Consolidated LCR does not assume the transfer of liquidity between the subsidiaries, so no excess of liquidity is transferred from these entities abroad to the consolidated ratio. If the impact of these highly liquid assets is considered to be excluded, the LCR would be 158%, or +29 basis points above the required level.

LCR main LMU

	December 2019	December 2018	December 2017
Group	**129%**	**127%**	**128%**
Eurozone	147%	145%	151%
BBVA Mexico	147%	154%	148%
BBVA USA (*)	145%	143%	144%
Garanti BBVA	206%	209%	134%

(*)BBVA USA LCR calculated according to local regulation (Fed Modified LCR).

Each entity maintains an individual liquidity buffer, both BBVA, S.A. and each of its subsidiaries, including BBVA USA, BBVA Mexico, Garanti BBVA and the Latin American subsidiaries.

The table below shows the liquidity available by instrument as of December 31, 2019, 2018 and 2017 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

December 2019 (Millions of Euros)

	BBVA Eurozone	BBVA Mexico	BBVA USA	Garanti BBVA	Other
Cash and withdrawable central bank reserves	14,516	6,246	4,949	6,450	6,368
Level 1 tradable assets	41,961	7,295	11,337	7,953	3,593
Level 2A tradable assets	403	316	344	-	-
Level 2B tradable assets	5,196	219	-	-	12
Other tradable assets	22,213	1,269	952	669	586
Non tradable assets eligible for central banks	-	-	2,935	-	-
Cumulated counterbalancing capacity	**84,288**	**15,344**	**20,516**	**15,072**	**10,559**

December 2018 (Millions of Euros)

	BBVA Eurozone	BBVA Mexico	BBVA USA	Garanti BBVA	Other
Cash and withdrawable central bank reserves	26,506	7,666	1,667	7,633	6,677
Level 1 tradable assets	29,938	4,995	10,490	6,502	3,652
Level 2A tradable assets	449	409	510	-	-
Level 2B tradable assets	4,040	33	-	-	-
Other tradable assets (*)	8,772	1,372	1,043	499	617
Non tradable assets eligible for central banks	-	-	2,314	-	-
Cumulated counterbalancing capacity	**69,705**	**14,475**	**16,024**	**14,634**	**10,946**

(*) The balance of "BBVA Eurozone" has been reexpressed including the available funding in the European Central Bank (ECB)

December 2017 (Millions of Euros)

	BBVA Eurozone (1)	BBVA Mexico	BBVA USA	Garanti BBVA	Other
Cash and withdrawable central bank reserves	15,634	8,649	2,150	6,692	6,083
Level 1 tradable assets	38,954	3,805	9,028	5,705	6,141
Level 2A tradable assets	386	418	753	-	10
Level 2B tradable assets	4,995	69	-	-	21
Other tradable assets (*)	10,192	1,703	1,252	962	1,573
Non tradable assets eligible for central banks	-	-	2,800	-	-
Cumulated counterbalancing capacity	**70,163**	**14,644**	**15,983**	**13,359**	**13,828**

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

(*) The balance of "BBVA Eurozone" has been reexpressed including the available funding in the European Central Bank (ECB)

The Net Stable Funding Ratio (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, is one of the Basel Committee's essential reforms, and requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance-sheet activities. This ratio should be at least 100% at all times.

The NSFR of BBVA Group and its main LMUs at December 31, 2019, calculated based on the Basel requirements, is the following:

NSFR main LMU

	December 2019
Group	**120%**
BBVA Eurozone	113%
BBVA Mexico	130%
BBVA USA	116%
Garanti BBVA	151%

Below is a matrix of residual maturities by contractual periods based on supervisory prudential reporting as of December 31, 2019, 2018 and 2017:

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

December 2019. Contractual maturities (Millions of Euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	20,954	20,654	-	-	-	-	-	-	-	-	**41,608**
Deposits in credit entities	-	3,591	283	488	585	503	189	24	120	432	**6,216**
Deposits in other financial institutions	-	1,336	1,120	796	589	991	1,420	1,072	672	2,089	**10,084**
Reverse repo, securities borrowing and margin lending	-	21,612	3,858	2,287	561	808	4,121	1,838	411	803	**36,299**
Loans and advances	157	22,015	25,056	24,994	15,777	16,404	42,165	35,917	54,772	122,098	**359,354**
Securities' portfolio settlement	-	1,622	3,873	6,620	2,017	7,292	21,334	6,115	13,240	46,022	**108,136**

December 2019. Contractual maturities (Millions of Euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	1	1,393	1,714	4,208	1,645	4,386	8,328	10,608	10,803	27,840	**70,927**
Deposits in financial institutions	7,377	7,608	493	1,122	172	1,514	386	614	206	510	**20,004**
Deposits in other financial institutions and international agencies	10,177	3,859	867	381	367	257	982	503	499	952	**18,843**
Customer deposits	271,638	43,577	18,550	10,013	7,266	6,605	3,717	2,062	854	1,039	**365,321**
Security pledge funding	-	45,135	3,202	15,801	1,456	653	3,393	7,206	759	1,308	**78,914**
Derivatives, net	-	(66)	(25)	29	(11)	1,097	(830)	(278)	(333)	(420)	**(838)**

December 2018. Contractual maturities (Millions of Euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	9,550	40,599	-	-	-	-	-	-	-	-	**50,149**
Deposits in credit entities	801	3,211	216	141	83	152	133	178	27	1,269	**6,211**
Deposits in other financial institutions	1	1,408	750	664	647	375	1,724	896	1,286	2,764	**10,515**
Reverse repo, securities borrowing and margin lending	-	21,266	1,655	1,158	805	498	205	1,352	390	210	**27,539**
Loans and Advances	132	19,825	25,939	23,265	15,347	16,433	42,100	32,336	53,386	120,571	**349,334**
Securities' portfolio settlement	-	1,875	4,379	5,990	2,148	6,823	8,592	12,423	11,533	42,738	**96,501**

December 2018. Contractual Maturities (Millions of Euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	1	2,678	1,652	2,160	2,425	2,736	7,225	8,578	16,040	26,363	**69,858**
Deposits in financial institutions	7,107	5,599	751	1,992	377	1,240	1,149	229	196	904	**19,544**
Deposits in other financial institutions and international agencies	10,680	4,327	1,580	458	302	309	781	304	825	1,692	**21,258**
Customer deposits	252,630	44,866	18,514	10,625	6,217	7,345	5,667	2,137	1,207	1,310	**350,518**
Security pledge funding	40	46,489	2,219	2,274	114	97	22,911	526	218	1,627	**76,515**
Derivatives, net	-	(75)	(523)	(68)	(5)	(117)	498	(91)	(67)	(392)	**(840)**

December 2017. Contractual Maturities (Millions of euros)

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

December 2017. Contractual maturities (Millions of Euros)

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

The matrix shows the retail nature of the funding structure, with a loan portfolio being mostly funded by customer deposits. On the outflows side of the matrix, the "demand" maturity bucket mainly contains the retail customer sight accounts whose behavior historically showed a high level of stability and little concentration. According to a behavior analysis which is done every year in every entity, this type of account is considered to be stable and for liquidity risk purposes receive a better treatment.

In the Euro Liquidity Management Unit (LMU), the liquidity and funding position maintains solid and comfortable with a slightly increase of the credit gap in 2019. During 2019, BBVA, S.A. made 7 issues in the public market for €5,750 million and USD 1,000 million; two issues of Senior Non Preferred ("SNP") securities at 5 years for €1,000 million each and another one at 7 years for €1,000 million; a T2 issue at 10 years with an early amortization option after the fifth year for €750 million; two AT1 issues for €1,000 million and USD 1,000 million respectively with an early amortization option after five and a half years for the first and 5 years for the second ; and a Senior Preferred securities issue at 7 years for €1,000 million.

In Mexico, there was a sound liquidity position despite the credit gap increase in 2019. This increase is mainly due to a lower increase in deposits as a result of higher market competition. During the financial year 2019, BBVA Mexico made a Tier II issuance on international markets for USD 750 million as well as carried out a repurchase for the same amount as part of two subordinated issuances with a maturity 2020 and 2021 which were no longer computing in capital ratios. They also made an issuance on the local market for 10,000 million of Mexican pesos in 2 tranches: 5,000 million at 3 years and 5,000 million at 8 years.

In the United States, a comfortable liquidity situation has been maintained with a decrease in the credit gap during the year mainly as a result of an increase in the deposits which has allowed to reduce the dependency on brokered deposits. During the third quarter of 2019, BBVA USA issued successfully a Senior debt note of USD 600 million at 5 years.

In Turkey we closed the year with an adequate liquidity situation, with Garanti BBVA showing an evolution of the credit gap in foreign currency and therefore reducing the wholesale financing, allowing throughout an adequate buffer of liquid assets. The main operations during the year were two syndicated loans for USD 1,600 million, a subordinated issuance for an amount of 252 million of Turkish lira (€39 million) and a securitization (Diversified Payment Rights) for USD 150 million. In addition, Garanti BBVA financed itself with a bilateral loan for an amount of USD 322 million and issued a green bond for USD 50 million in December 2019. Furthermore, additional bilateral funds for USD 110 million have been signed in December 2019.

Argentina was affected by the change in the political situation generating a reduction of deposits and credits in foreign currency in the banking system. In this context, BBVA Argentina has maintained at any time a sound liquidity position supported by higher requirements of regulatory reserve regulations. BBVA Argentina issued 1,619 million of Argentine pesos (€24 million) in the local market in the first quarter of 2019 and later, in the fourth quarter, issued an additional 1,967 million of Argentine pesos (€29 million).

The liquidity position of the rest of subsidiaries has continued to be sound, maintaining a solid liquidity position in all the jurisdictions in which the Group operates.

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

7.4.4 Asset encumbrance

As of December 31, 2019, 2018 and 2017, the encumbered (those provided as collateral for certain liabilities) and unencumbered assets are broken down as follows:

December 2019 (Millions of Euros)	Encumbered assets		Non-encumbered assets	
	Book value	Market value	Book value	Market value
Assets	**101,792**		**596,898**	
Equity instruments	3,526	3,526	12,113	12,113
Debt securities	29,630	29,567	95,611	95,611
Loans and advances and other assets	68,636		489,174	

December 2018 (Millions of Euros)	Encumbered assets		Non-encumbered assets	
	Book value	Market value	Book value	Market value
Assets	**107,950**		**567,573**	
Equity instruments	1,864	1,864	6,485	6,485
Debt Securities	31,157	32,216	82,209	82,209
Loans and Advances and other assets	74,928		478,880	

December 2017 (Millions of euros)

	Encumbered assets		Non-encumbered assets	
	Book value	Market value	Book value	Market value
Assets	**110,600**		**579,459**	
Equity instruments	2,297	2,297	9,616	9,616
Debt Securities	28,700	29,798	84,391	84,391
Loans and Advances and other assets	79,604		485,451	

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 22.4) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments correspond to underlying that are delivered in repos with different types of counterparties, mainly clearing houses or credit institutions, and to a lesser extent central banks. Collateral provided to guarantee derivative transactions is also included as committed assets.

As of December 31, 2019, 2018 and 2017, collateral pledges received mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

December 2019. Collateral received (Millions of euros)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**38,496**	**9,208**	**48**
Equity instruments	65	70	-
Debt securities	38,431	9,130	38
Loans and advances and other assets	-	8	10
Own debt securities issued other than own covered bonds or ABSs	**-**	**82**	**-**

December 2018. Collateral received (Millions of Euros)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**27,474**	**5,633**	**319**
Equity instruments	89	82	-
Debt securities	27,385	5,542	300
Loans and advances and other assets	-	8	19
Own debt securities issued other than own covered bonds or ABSs	**78**	**87**	**-**

December 2017. Collateral received (Millions of euros)

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

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

As of December 31, 2019, 2018 and 2017, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

Sources of encumbrance (Millions of Euros)

	December 2019		December 2018		December 2017	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities	**124,252**	**135,500**	**113,498**	**131,172**	**118,704**	**133,312**
Derivatives	19,066	20,004	8,972	11,036	11,843	11,103
Loans and advances	87,906	94,240	85,989	97,361	87,484	98,478
Outstanding subordinated debt	17,280	21,256	18,538	22,775	19,377	23,732
Other sources	**449**	**4,788**	**3,972**	**4,330**	**305**	**1,028**

7.5 Legal risk factors

The financial sector is exposed to increasing litigation, so the financial institutions face a large number of proceedings of every kind, civil, criminal, administrative, litigation, as well as investigations from the supervisor or other governmental authorities, along several jurisdictions, which consequences are difficult to determine (including those procedures in which an undetermined number of applicants is involved, in which damages claimed are not easy to estimate, in which an exorbitant amount is claimed, in which new jurisdictional issues are introduced under creative non – contrasted legal arguments and those which are at a very initial stage).

In Spain, in many of the existing procedures, applicants claim, both at Spanish courts and through preliminary rulings towards the European Union Court of Justice that various clauses usually included under a mortgage loan with credit institutions are stated abusive (including mortgage fees clauses, early redemption right clause, referenced interest rate type and opening fee).

In particular, with regards to consumer mortgage loan agreements linked to the mortgage loan reference index (Índice de Referencia de los Préstamos Hipotecarios — mortgage loan reference index) (IRPH), which is the average interest rate calculated by the Bank of Spain and published in the Official Spanish Gazette (Boletín Oficial del Estado) for mortgage loans of more than three years for freehold housing purchases granted by Spanish credit institutions and which is considered the "official interest rate" by mortgage transparency regulations, on 14th December, 2017 the Spanish Supreme Court, in its Ruling No 669/2017 (the Ruling), held that it was not possible to determine that a loan's interest rate was not transparent simply due to it making reference to one official rate or another, nor can its terms then be confirmed as unfair under the provisions of Directive 93/13/EEC of 5th April, 1993. As of the date of this Annual Report, a preliminary ruling is pending in which the Ruling is being challenged before the Court of Justice of the European Union. BBVA considers that the Ruling is clear and well founded.

On 10th September, 2019, the Advocate General of the Court of Justice of the European Union issued a report on this matter.

In that report, the Advocate General of the Court of Justice of the European Union concluded that the bank to which the preliminary ruling relates (Bankia, S.A.) complied with the requirement of transparency imposed by the applicable European regulation. The Advocate

General also indicated that it is for the national courts to carry out the checks they consider necessary in order to analyze compliance with the applicable transparency obligations in each individual case.

The Advocate General's report does not bind the decision which the Court of Justice of the European Union may take finally on this matter in the future.

It is therefore necessary to await the Court of Justice of the European Union’s ruling on the matter referred in the preliminary ruling in order to determine whether it may have any effect on BBVA.

The impact of any potential unfavorable ruling by the Court of Justice of the European Union is difficult to predict at this time, but could be material. The impact of such a resolution may vary depending on matters such as (i) the decision of the Court of Justice of the European Union on what interest rate should be applied to the applicable loans; and (ii) whether the effects of the judgment are applied retroactively. According to the latest available information, the amount of mortgage loans to individuals linked to IRPH and up to date with the payment is approximately €2,800 million.

In addition, there are also claims before the Spanish courts challenging the application of certain interest rates and other mandatory rules to certain revolving credit card agreements. The resolutions in this type of proceedings against the Group or other banking entities may directly or indirectly affect the Group.

The Group is involved in several competition investigations and other legal actions related to competition initiated by third parties in various countries which may give raise to penalties and claims by third parties.

Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). Such investigation includes the provision of services by Cenyt to the Bank. On July 29, 2019, the Bank was named as an official suspect (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could be constitutive of bribery, revelation of secrets and corruption. Certain current and former officers and employees of the Group, as well as former directors have also been named as official suspects in connection with this investigation. The Bank has been and continues to proactively collaborate with the Spanish judicial authorities, including sharing with the courts the relevant information from its on-going forensic investigation regarding its relationship with Cenyt. The Bank has also testified before the judge and prosecutors at the request of the Central Investigating Court No. 6 of the National High Court.

On February 3, 2020, the Bank was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings.

This criminal judicial proceeding is at a preliminary stage. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group’s reputation caused thereby.

8. Fair value of financial instruments

Framework and processes control

As part of the process established in the Group for determining the fair value in order to ensure that financial assets and liabilities are properly valued, BBVA has established, at a geographic level, a structure of Risk Operational Admission and Product Governance Committees responsible for validating and approving new products or types of financial assets and liabilities before being contracted. Local management responsible for valuation, which are independent from the business (see Management Report - Risk) are members of these committees.

These areas are required to ensure, prior to the approval stage, the existence of not only technical and human resources, but also adequate informational sources to measure the fair value of these financial assets and liabilities, in accordance with the rules established by the valuation global area and using models that have been validated and approved by the responsible areas.

Fair value hierarchy

The fair value of financial instruments is commonly defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (market-based measurement).

All financial instruments, both assets and liabilities are initially recognized at fair value, which at that point is equivalent to the transaction price, unless there is evidence to the contrary in the market. Subsequently, depending on the type of financial instrument, it may continue to be recognized at amortized cost or fair value through adjustments in the consolidated income statement or equity.

When possible, the fair value is determined as the market price of a financial instrument. However, for many of the financial assets and liabilities of the Group, especially in the case of derivatives, there is no market price available, so its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or, in the absence thereof, by using mathematical measurement models that are sufficiently tried and trusted by the international financial community. The estimates of the fair value derived from the use of such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with such asset or liability. However, the limitations inherent in the measurement models and possible inaccuracies in the assumptions and parameters required by these models may mean that the estimated fair value of an asset or liability does not exactly match the price for which the asset or liability could be exchanged or settled on the date of its measurement.

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

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

- Level 1: Valuation using directly the quotation of the instrument, observable and readily and regularly available from independent price sources and referenced to active markets that the entity can access at the measurement date. The instruments classified within this level are fixed-income securities, equity instruments and certain derivatives.
- Level 2: Valuation of financial instruments with commonly accepted techniques that use inputs obtained from observable data in markets.
- Level 3: Valuation of financial instruments with valuation techniques that use significant unobservable inputs in the market. As of December 31, 2019, the affected instruments at fair value accounted for approximately 0.57% of financial assets and 0.14% of the Group's financial liabilities. Model selection and validation is undertaken by control areas outside the business areas.

8.1 Fair value of financial instruments

The fair value of the Group's financial instruments in the accompanying consolidated balance sheets and its corresponding carrying amounts, as of December 31, 2019, 2018 and 2017 are presented below:

Fair Value and carrying amount (Millions of euros)

		2019		2018	
	Notes	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Cash, cash balances at central banks and other demand deposits	9	44,303	44,303	58,196	58,196
Financial assets held for trading	10	102,688	102,688	90,117	90,117
Non-trading financial assets mandatorily at fair value through profit or loss	11	5,557	5,557	5,135	5,135
Financial assets designated at fair value through profit or loss	12	1,214	1,214	1,313	1,313
Financial assets at fair value through other comprehensive income	13	61,183	61,183	56,337	56,337
Financial assets at amortized cost	14	439,162	442,788	419,660	419,857
Hedging derivatives	15	1,729	1,729	2,892	2,892
LIABILITIES					
Financial liabilities held for trading	10	89,633	89,633	80,774	80,774
Financial liabilities designated at fair value through profit or loss	12	10,010	10,010	6,993	6,993
Financial liabilities at amortized cost	22	516,641	515,910	509,185	510,300
Hedging derivatives	15	2,233	2,233	2,680	2,680

Fair value and carrying amount (Millions of Euros)

		2017	
	Notes	Carrying amount	Fair value
ASSETS			
Cash, cash balances at central banks and other demand deposits	9	42,680	42,680
Financial assets held for trading	10	64,695	64,695
Financial assets designated at fair value through profit or loss	12	2,709	2,709
Available-for-sale financial assets	-	69,476	69,476
Loans and receivables	-	431,521	438,991
Held-to-maturity investments	-	13,754	13,865
Derivatives – Hedge accounting	15	2,485	2,485
LIABILITIES			
Financial liabilities held for trading	10	46,182	46,182
Financial liabilities designated at fair value through profit or loss	12	2,222	2,222
Financial liabilities at amortized cost	22	543,713	544,604
Derivatives – Hedge accounting	15	2,880	2,880

The year 2017 is presented for comparison purposes separately due to the implementation of IFRS 9.

Not all financial assets and liabilities are recorded at fair value, so below we provide the information on financial instruments recorded at fair value and subsequently the information of those recorded at amortized cost (including their fair value although this value is not used when accounting for these instruments).

8.1.1 Fair value of financial instruments recognized at fair value, according to valuation criteria

Below are the different elements used in the valuation technique of financial instruments.

Active Market

BBVA considers active market as a market that allows the observation of bid and offer prices representative of the levels to which the market participants are willing to negotiate an asset, with sufficient frequency and volume.

By default, BBVA would consider all internally approved “Organized Markets” as active markets, without considering this an unchangeable list.

Furthermore, BBVA would consider as traded in an “Organized Market” quotations for assets or liabilities from Over The Counter (OTC) markets when they are obtained from independent sources, observable on a daily basis and fulfil certain conditions.

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

Fair value of financial instruments by levels (Millions of Euros)

	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS-						
Financial assets held for trading	**31,135**	**70,045**	**1,508**	**26,730**	**62,983**	**404**
Loans and advances	697	32,321	1,285	47	28,642	60
Debt securities	18,076	8,178	55	17,884	7,494	199
Equity instruments	8,832	-	59	5,194	-	60
Derivatives	3,530	29,546	109	3,605	26,846	85
Non-trading financial assets mandatorily at fair value through profit or loss	**4,305**	**92**	**1,160**	**3,127**	**78**	**1,929**
Loans and advances	82	-	1,038	25	-	1,778
Debt securities	-	91	19	90	71	76
Equity instruments	4,223	1	103	3,012	8	75
Financial assets designated at fair value through profit or loss	**1,214**	**-**	**-**	**1,313**	**-**	**-**
Loans and advances	-	-	-	-	-	-
Debt securities	1,214	-	-	1,313	-	-
Equity instruments	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**50,896**	**9,203**	**1,084**	**45,824**	**9,323**	**1,190**
Loans and advances	33	-	-	33	-	-
Debt securities	49,070	9,057	604	43,788	9,211	711
Equity instruments	1,794	146	480	2,003	113	479
Hedging derivatives	**44**	**1,685**	**-**	**7**	**2,882**	**3**
LIABILITIES-						
Financial liabilities held for trading	**26,266**	**62,541**	**827**	**22,932**	**57,573**	**269**
Deposits	9,595	32,121	649	7,989	29,945	-
Trading derivatives	4,425	30,419	175	3,919	27,628	267
Other financial liabilities	12,246	1	2	11,024	-	1
Financial liabilities designated at fair value through profit or loss	**-**	**9,984**	**27**	**-**	**4,478**	**2,515**
Customer deposits	-	944	-	-	976	-
Debt certificates	-	4,629	27	-	2,858	-
Other financial liabilities	-	4,410	-	-	643	2,515
Derivatives – Hedge accounting	**30**	**2,192**	**11**	**223**	**2,454**	**3**

Fair value of financial instruments by levels (Millions of euros)

	2017		
	Level 1	Level 2	Level 3
ASSETS-			
Financial assets held for trading	**29,057**	**35,349**	**289**
Loans and advances to customers	-	56	-
Debt securities	21,107	1,444	22
Equity instruments	6,688	33	80
Derivatives	1,262	33,815	187
Financial assets designated at fair value through profit or loss	**2,061**	**648**	**-**
Loans and advances to customers	-	648	-
Loans and advances to credit institutions	-	-	-
Debt securities	174	-	-
Equity instruments	1,888	-	-
Available-for-sale financial assets	**57,381**	**11,082**	**544**
Debt securities	54,850	10,948	454
Equity instruments	2,531	134	90
Hedging derivatives	**-**	**2,483**	**2**
LIABILITIES-			
Financial liabilities held for trading	**11,191**	**34,866**	**125**
Derivatives	1,183	34,866	119
Short positions	10,008	-	6
Financial liabilities designated at fair value through profit or loss	**-**	**2,222**	**-**
Derivatives – Hedge accounting	**274**	**2,606**	**-**

The year 2017 is presented for comparison purpose separately due to the implementation of IFRS 9.

The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2019:

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

Fair value of financial Instruments by levels. December 2019 (Millions of euros)

	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS					
Financial assets held for trading	**70,045**	**1,508**			
Loans and advances	32,321	1,285	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Current market interest rates - Funding interest rates observed in the market or in consensus services - Exchange rates	- Prepayment rates - Issuer´s credit risk - Recovery rates - Funding interest rates not observed in the market or in consensus services
Debt securities	8,178	55	Present-value method (Discounted future cash flows) Observed prices in non active markets	- Issuer´s credit risk - Current market interest rates - Non active markets prices	- Prepayment rates - Issuer´s credit risk - Recovery rates
Equity instruments	-	59	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV not published
Derivatives	29,546	109			
Interest rate			Interest rate products (Interest rate Swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate Options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - interest rates volatility
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, moments adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and discounted cash flows		
Non-trading financial assets mandatorily at fair value through profit or loss	**92**	**1,160**			
Loans and advances	-	1,038	Specific liquidation criteria regarding losses of the EPA proceedings PD and LGD of the internal models, valuations and specific criteria of the EPA proceedings Discounted future cash flows		- Prepayment rates - Business plan of the underlying asset, WACC, macro scenario - Property valuation
Debt securities	91	19	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	1	103	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Financial assets at fair value through other comprehensive income	**9,203**	**1,084**			
Debt securities	9,057	604	Present-value method (Discounted future cash flows) Observed prices in non active markets	- Issuer´s credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	146	480	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Hedging derivatives	**1,685**	**-**			
Interest rate			Interest rate products (Interest rate Swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate Options: Black, Hull-White y LGM Constant maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, Momentum adjustment		
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, moments adjustment		
Credit			Credit Derivatives: Default model and Gaussian copula		
Commodities			Commodities: Momentum adjustment and Discounted cash flows		

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

Fair Value of financial Instruments by Levels. December 2019 (Millions of euros)

	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES					
Financial liabilities held for trading	**62,541**	**827**			
Deposits	32,121	649	Present-value method (Discounted future cash flows)	- Interest rate yield - Funding interest rates observed in the market or in consensus services - Exchange rates	- Funding interest rates not observed in the market or in consensus services
Derivatives	30,419	175			
Interest rate			Interest rate products (Interest rate Swaps, call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate Options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Correlation between tenors - Interest rates volatility
Equity			Future and Equity forward: Discounted future cash flows Equity Options: Local volatility, momentum adjustment		- Volatility of volatility - Assets correlation
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, moments adjustment		- Volatility of volatility - Assets correlation
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and discounted cash flows		
Short positions	1	2	Present-value method (Discounted future cash flows)		- Prepayment rates - Issuer´s credit risk - Current market interest rates
Financial liabilities designated at fair value through profit or loss	**9,984**	**27**	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer´s credit risk - Current market interest rates	- Prepayment rates - Issuer´s credit risk - Current market interest rates
Derivatives – Hedge accounting	**2,192**	**11**			
Interest rate			Interest rate products (Interest rate Swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate Options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - interest rates volatility
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and discounted cash flows		

Main valuation techniques

The main techniques used for the assessment of the majority of the financial instruments classified in Level 3, and its main unobservable inputs, are described below:

- The net present value (net present value method): This technique uses the future cash flows of each financial instrument, which are established in the different contracts, and discounted to their present value. This technique often includes many observable inputs, but may also include unobservable inputs, as described below:
  - Credit Spread: This input represents the difference in yield of a debt security and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that debt security. Therefore, the credit spread of the debt security is part of the discount rate used to calculate the present value of the future cash flows.
  - Recovery rate: This input represents the percentage of principal and interest recovered from a debt instrument that has defaulted.
- Comparable prices (similar asset prices): This input represents the prices of comparable financial instruments and benchmarks used to calculate a reference yield based on relative movements from the entry price or current market levels. Further adjustments to account for differences that may exist between financial instrument being valued and the comparable financial instrument may be added. It can also be assumed that the price of the financial instrument is equivalent to the comparable instrument.
- Net asset value: This input represents the total value of the financial assets and liabilities of a fund and is published by the fund manager thereof.
- Gaussian copula: This model is used to integrate default probabilities of credit instruments referenced to more than one underlying CDS. The joint density function used to value the instrument is constructed by using a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.
- Black 76: variant of Black Scholes model, whose main application is the valuation of bond options, cap floors and swaptions where the behavior of the Forward and not the Spot itself, is directly modeled.
- Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk free interest rate. Under this assumption, the price of vanilla options can be obtained analytically, so that inverting the Black- Scholes formula, the implied volatility for process of the price can be calculated.
- Heston: This model, typically applied to equity OTC options, assumes stochastic behavior of volatility. According to which, the volatility follows a process that reverts to a long-term level and is correlated with the underlying equity instrument. As opposed to local volatility models, in which the volatility evolves deterministically, the Heston model is more flexible, allowing it to be similar to that observed in the short term today.
- Libor market model: This model assumes that the dynamics of the interest rate curve can be modeled based on the set of forward contracts that compose the underlying interest rate. The correlation matrix is parameterized on the assumption that the correlation between any two forward contracts decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The input "Credit default volatility" is a volatility input of the credit factor dynamic. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve, including interest rate option.
- Local Volatility: In the local volatility models of the volatility, instead of being static, evolves over time according to the level of moneyness of the underlying, capturing the existence of smiles. These models are appropriate for pricing path dependent options when use Monte Carlo simulation technique is used.

Adjustments to the valuation for risk of default

Under IFRS 13 the credit risk valuation adjustments must be considered in the classification of assets and liabilities within fair value hierarchy, because of the absence of observable data of probabilities of default and recoveries used in the calculation.

These adjustments are calculated by estimating Exposure At Default, Probability of Default and Loss Given Default, which are based on the recovery levels for all derivative products on any instrument, deposits and repos at the legal entity level (all counterparties under a same ISDA / CMOF), in which BBVA has exposure.

The credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are a part of derivative instrument valuations, both financial assets and liabilities, to reflect the impact in the fair value of the credit risk of the counterparty and BBVA, respectively.

As a general rule, the calculation of CVA is done through simulations of market and credit variables to calculate the expected positive exposure, given the Exposure at Default and multiplying the result by the Loss Given Default of the counterparty. Consequently, the DVA is calculated as the result of the expected negative exposure given the Exposure at Default and multiplying the result by the Loss Given Default of the counterparty. Both calculations are performed throughout the entire period of potential exposure.

The information needed to calculate the exposure at default and the loss given default come from the credit markets (Credit Default Swaps or iTraxx Indexes), where rating is available. For those cases where the rating is not available, BBVA implements a mapping process based on the sector, rating and geography to assign probabilities of both probability of default and loss given default, calibrated directly to market or with an adjustment market factor for the probability of default and the historical expected loss.

The amounts recognized in the consolidated balance sheet as of December 31, 2019 and 2018 related to the valuation adjustments to the credit assessment of the derivative asset as "Credit Valuation Adjustments" ("CVA") was €-106 million and €-163 million respectively, and the valuation adjustments to the derivative liabilities as "Debit Valuation Adjustment" (DVA) was €117 million and €214 million respectively . The impact recorded under "Gains or (-) losses on financial assets and liabilities held for trading, net" in the consolidated income statement as of December, 2019 and 2018 corresponding to the mentioned adjustments was a net impact of €67 million and €-24 million respectively.

Additionally, as of December, 2019 and 2018, €-8 and €-12 million related to the "Funding Valuation Adjustments" ("FVA") were recognized in the consolidated balance sheet, being the impact on results €4 million and €-2 million, respectively.

Unobservable inputs

Quantitative information of unobservable inputs used to calculate Level 3 valuations is presented below as of December 31, 2019:

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Loans and advances	Present value method	Repo funding curve	(6)	16	100	p.b.
Debt securities	Net present value	Credit spread	18	83	504	p.b
		Recovery rate	0.00%	28.38%	40.00%	%
	Comparable pricing		0.01%	98.31%	135.94%	%
Equity instruments (*)	Net asset Value					
	Comparable pricing					
Credit option	Gaussian Copula	Correlation default	19.37%	44.33%	61.08%	%
Corporate Bond option	Black 76	Price volatility	-	-	-	Vegas
Equity OTC option	Heston	Forward volatility skew	35.12	35.12	35.12	Vegas
	Local volatility	Dividends (**)				
		Volatility	2.49	23.21	60.90	Vegas
FX OTC options	Black Scholes/Local Vol	Volatility	3.70	6.30	10.05	Vegas
Interest rate options	Libor Market Model	Beta	0.25	2.00	18.00	%
		Correlation rate/Credit	(100)		100	%
		Credit default Volatility	-	-	-	Vegas

(*) Due to the diversity of valuation models of equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.

(**) The range of non-observable dividends has too wide range to be relevant.

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying consolidated balance sheets are as follows:

Financial assets Level 3: Changes in the year (Millions of Euros)

	2019		2018		2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	**3,527**	**2,787**	**835**	**125**	**822**	**116**
Group additions	-	-	-	-	-	-
Changes in fair value recognized in profit and loss (*)	112	44	(167)	(95)	(24)	(21)
Changes in fair value not recognized in profit and loss	2	-	(4)	-	(45)	-
Acquisitions, disposals and liquidations (**)	5	595	2,102	2,710	32	320
Net transfers to Level 3	77	(2,751)	761	47	106	(39)
Exchange differences and others	31	189	-	-	(55)	(250)
Balance at the end	**3,753**	**865**	**3,527**	**2,787**	**835**	**125**

(*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2019, 2018 and 2017. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities (net)".

(**) Of which, in 2019, the assets roll forward is comprised of €1,525 million of acquisitions, €1,102 million of disposals and €417 million of liquidations. The liabilities roll forward is comprised of €858 million of acquisitions, €53 million of sales and €210 million of liquidations.

During 2019, certain interest rate yields have been adapted to those observable in the market, which mainly affects the valuation of certain deposit classes recorded under "Financial liabilities at amortized cost" and certain insurance products recorded under "Financial liabilities designated at fair value through profit or loss - Other financial liabilities", and, a result thereof, their classification as instruments has changed from Level 3 to Level 2. Additionally, in Level 3, €1,285 million in assets held for trading and €649 in liabilities held for trading have been classified, mainly due to certain reverse repurchase and repurchase agreements, due to the non-observability and liquidity in the interest rate yield for the financing of assets applied in the calculation of its fair value.

As of December 31, 2019, 2018 and 2017, the profit/loss on sales of financial instruments classified as Level 3 recognized in the accompanying consolidated income statement was not material.

Transfers between levels

The Global Valuation Area, in collaboration with the Group, has established the rules for a proper financial instruments held for trading classification according to the fair value hierarchy defined by IFRS.

On a monthly basis, any new assets added to the portfolio are classified, according to this criterion, by the subsidiaries. Then, there is a quarterly review of the portfolio in order to analyze the need for a change in classification of any of these assets.

The financial instruments transferred between the different levels of measurement for the year ended December 31, 2019, are at the following amounts in the accompanying consolidated balance sheets as of December 31, 2019:

Transfer between Levels. December 2019 (Millions of Euros)

From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level2
ASSETS						
Financial assets held for trading	74	-	1,119	502	1	160
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	23	2	-	44
Financial assets designated at fair value through profit or loss	-	-	-	-	1	-
Financial assets at fair value through other comprehensive income	6	6	4	209	-	454
Derivatives	-	-	-	26	-	10
Total	**79**	**6**	**1,145**	**739**	**2**	**667**
LIABILITIES						
Derivatives	-	-	-	27	-	125
Financial liabilities held for trading	1	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	27	-	2,679
Total	**1**	**-**	**-**	**54**	**-**	**2,804**

The amount of financial instruments that were transferred between levels of valuation during the year ended December 31, 2019, is not material relative to the total portfolios, and corresponds to the above changes in the classification between levels these financial instruments modified some of their features, specifically:

- Transfers between Levels 1 and 2 represent mainly debt securities and equity instruments, which are either no longer listed on an active market (transfer from Level 1 to 2) or have just started to be listed (transfer from Level 2 to 1).
- Transfers from Level 2 to Level 3 are mainly due to transactions of financial assets held for trading, derivatives and financial liabilities designated at fair value through profit or loss.
- Transfers from Level 3 to Level 2 generally affect derivative and debt securities transactions, for which inputs observable in the market have been obtained.

Sensitivity analysis

Sensitivity analysis is performed on financial instruments with significant unobservable inputs (financial instruments included in level 3), in order to obtain a reasonable range of possible alternative valuations. This analysis is carried out on a monthly basis, based on the criteria defined by the Global Valuation Area taking into account the nature of the methods used for the assessment and the reliability and availability of inputs and proxies used. In order to establish, with a sufficient degree of certainty, the valuating risk that is incurred in such assets without applying diversification criteria between them.

As of December 31, 2019, the effect on profit for the year and total equity of changing the main unobservable inputs used for the measurement of Level 3 financial instruments for other reasonably possible unobservable inputs, taking the highest (most favorable input) or lowest (least favorable input) value of the range deemed probable, would be as follows:

Financial instruments Level 3: Sensitivity analysis (Millions of Euros)

	Potential impact on consolidated income statement		Potential impact on other comprehensive income	
	Most favorable hypothesis	**Least favorable hypothesis**	**Most favorable hypothesis**	**Least favorable hypothesis**
ASSETS				
Financial assets held for trading	5	(60)	-	-
Loans and Advances	-	(10)	-	-
Debt securities	3	-	-	-
Equity instruments	1	(48)	-	-
Derivatives	2	(2)	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	367	(66)	-	-
Loans and advances	354	(61)	-	-
Debt securities	7	-	-	-
Equity instruments	5	(6)	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	10	(1)
Total	**372**	**(126)**	**10**	**(1)**
LIABILITIES				
Financial liabilities held for trading	3	(3)	-	-
Total	**3**	**(3)**	**-**	**-**

8.2 Fair value of financial instruments carried at cost, by valuation criteria

The valuation technique used to calculate the fair value of financial assets and liabilities carried at cost as of December 31, 2019 are presented below:

Financial assets

- Cash, balances at central banks and other demand deposits / loans to central banks / short-term loans to credit institutions/ Repurchase agreements: in general, their fair value is assimilated to their book value, due to the nature of the counterparty and because they are mainly short-term balances in which the book value is the most reasonable estimation of the value of the asset.
- Loans to credit institutions which are not short-term and loans to customers: In general, the fair value of these financial assets is determined by the discount of expected future cash flows, using market interest rates at the time of valuation adjusted by the credit spread and taking all kind of behavior hypothesis if it is considered to be relevant (prepayment fees, optionality, etc.).
- Debt securities: Fair value estimated based on the available market price or by using internal valuation methodologies.

Financial liabilities

- Deposits from central banks: for recurrent liquidity auctions and other monetary policy instruments of central banks / short-term deposits, from credit institutions / repurchase agreements / short term customer deposits: their book value is considered to be the best estimation of their fair value.
- Deposits of credit institutions which are not short-term and term customer deposits: these deposits will be valued by discounting future cash flows using the interest rate curve in effect at the time of the adjustment adjusted by the credit spread and incorporating any behavioral assumptions if this proves relevant (early repayments , optionalities, etc.).
- Debt certificate (Issuances): The fair value estimation of these liabilities depend on the availability of market prices or by using the present value method: discount of future cash flows, using market interest rates at valuation time and taking into account the credit spread.

The following table presents the fair value of key financial instruments carried at amortized cost in the accompanying consolidated balance sheets as of December 31, 2019 and 2018, broken down according to the method of valuation used for the estimation:

Fair value of financial instruments at amortized cost by levels (Millions of euros)

	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Cash, cash balances at central banks and other demand deposits	44,111	-	192	58,024	-	172
Financial assets at amortized cost	29,391	217,279	196,119	21,419	204,619	193,819
LIABILITIES						
Financial liabilities at amortized cost	67,229	289,599	159,082	58,225	269,128	182,948

The main valuation techniques and inputs used to estimate the fair value of financial instruments accounted for at cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those as of December 31, 2019:

Fair Value of financial Instruments at amortized cost by valuation technique. December 2019 (Millions of Euros)

	Level 2	Level 3	Valuation technique(s)	Main inputs used
ASSETS				
Financial assets at amortized cost	**217,279**	**196,119**		
Central banks	-	2	**Present-value method** (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	9,049	4,628		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	194,897	190,144		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	13,333	1,345		- Credit spread - Interest rate yield
LIABILITIES				
Financial liabilities at amortized cost	**289,599**	**159,082**		
Deposits from central banks	129	-	**Present-value method** (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Deposits from credit institutions	21,575	6,831		
Deposits from customers	245,720	135,514		
Debt certificates	14,194	11,133		
Other financial liabilities	7,981	5,604		

Equity instruments at cost

Until 2017, there were equity instruments and discretionary profit-sharing arrangements in some entities which were recognized at cost in the Group's consolidated balance sheets because their fair value could not be estimated in a sufficiently reliable manner for the amount of €469 million, as of December 31, 2017.

9. Cash, cash balances at central banks and other demand deposits

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

Cash, cash balances at central banks and other demand deposits (Millions of Euros)

	2019	2018	2017
Cash on hand	7,060	6,346	6,220
Cash balances at central banks	31,755	43,880	31,718
Other demand deposits	5,488	7,970	4,742
Total	**44,303**	**58,196**	**42,680**

The change in "Cash balances at central banks" is mainly due to the decrease in cash held at the Bank of Spain.

10. Financial assets and liabilities held for trading

10.1 Breakdown of the balance

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

Financial assets and liabilities held for trading (Millions of Euros)

	Notes	2019	2018	2017
ASSETS				
Derivatives		33,185	30,536	35,265
Equity instruments	7.1.2	8,892	5,254	6,801
Credit institutions		1,037	880	962
Other sectors		7,855	4,374	5,839
Debt securities	7.1.2	26,309	25,577	22,573
Issued by central banks		840	1,001	1,371
Issued by public administrations		23,918	22,950	19,344
Issued by financial institutions		679	790	816
Other debt securities		872	836	1,041
Loans and advances	7.1.2	34,303	28,750	56
Loans and advances to central banks		535	2,163	-
Reverse repurchase agreement	35	*535*	*2,163*	-
Loans and advances to credit institutions		21,286	14,566	-
Reverse repurchase agreement	35	*21,219*	*13,305*	-
Loans and advances to customers		12,482	12,021	56
Reverse repurchase agreement	35	*12,187*	*11,794*	-
Total assets		**102,688**	**90,117**	**64,695**
LIABILITIES				
Derivatives		35,019	31,815	36,169
Short positions		12,249	11,025	10,013
Deposits		42,365	37,934	-
Deposits from central banks		7,635	10,511	-
Repurchase agreement	35	*7,635*	*10,511*	-
Deposits from credit institutions		24,969	15,687	-
Repurchase agreement	35	*24,578*	*14,839*	-
Customer deposits		9,761	11,736	-
Repurchase agreement	35	*9,689*	*11,466*	-
Total liabilities		**89,633**	**80,774**	**46,182**

As of December 31, 2019 “Short positions” include €11,649 million held with general governments.

10.2 Derivatives

The derivatives portfolio arises from the Group’s need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Group’s customers. As of December 31, 2019, 2018 and 2017, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of foreign credit institutions and other non financial corporations, and are related to foreign-exchange, interest-rate and equity risk.

Below is a breakdown of the net positions by transaction type of the fair value and notional amounts of derivatives recognized in the accompanying consolidated balance sheets, divided into organized and OTC markets:

Derivatives by type of risk and by product or by type of market (Millions of Euros)

	2019			2018			2017		
	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total
Interest rate	**21,479**	**20,853**	**3,024,794**	**19,146**	**18,769**	**2,929,371**	**22,606**	**22,546**	**2,152,490**
OTC	21,479	20,852	2,997,443	19,146	18,769	2,910,016	22,606	22,546	2,129,474
Organized market	-	1	27,351	-	-	19,355	-	-	23,016
Equity instruments	**2,263**	**3,499**	**84,140**	**2,799**	**2,956**	**114,184**	**1,778**	**2,336**	**95,573**
OTC	353	1,435	40,507	631	463	39,599	578	1,207	42,298
Organized market	1,910	2,065	43,633	2,168	2,492	74,586	1,200	1,129	53,275
Foreign exchange and gold	**9,086**	**10,266**	**472,194**	**8,355**	**9,693**	**432,283**	**10,371**	**10,729**	**380,404**
OTC	9,049	10,260	463,662	8,344	9,638	426,952	10,337	10,688	373,303
Organized market	37	6	8,532	11	55	5,331	34	40	7,101
Credit	**353**	**397**	**29,077**	**232**	**393**	**25,452**	**489**	**517**	**30,181**
Credit default swap	338	283	26,702	228	248	22,791	480	507	27,942
Credit spread option	-	2	150	2	-	500	-	-	200
Total return swap	14	113	2,225	2	145	2,161	9	9	2,039
Other	-	-	-	-	-	-	-	-	-
Commodities	**4**	**4**	**64**	**3**	**3**	**67**	**3**	**3**	**36**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**38**	**561**
DERIVATIVES	**33,185**	**35,019**	**3,610,269**	**30,536**	**31,815**	**3,501,358**	**35,265**	**36,169**	**2,659,246**
Of which: OTC - credit institutions	*20,706*	*23,717*	*1,000,243*	*16,979*	*18,729*	*897,384*	*21,016*	*22,804*	*898,209*
Of which: OTC - other financial corporations	*6,153*	*6,214*	*2,370,988*	*7,372*	*7,758*	*2,355,784*	*8,695*	*9,207*	*1,548,919*
Of which: OTC - other	*4,378*	*3,016*	*159,521*	*4,005*	*2,780*	*148,917*	*4,316*	*2,986*	*128,722*

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

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

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)

	Notes	2019	2018	2017
Equity instruments	7.1.2	4,327	3,095	
Debt securities	7.1.2	110	237	
Loans and advances to customers	7.1.2	1,120	1,803	
Total		**5,557**	**5,135**	

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

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)

	Notes	2019	2018	2017
ASSETS				
Equity instruments				1,888
Debt securities		1,214	1,313	174
Loans and advances		-	-	648
Total assets	**7.1.2**	**1,214**	**1,313**	**2,709**
LIABILITIES				
Deposits		944	976	-
Debt certificates		4,656	2,858	-
Other financial liabilities: Unit-linked products		4,410	3,159	2,222
Total liabilities		**10,010**	**6,993**	**2,222**

As of December 31, 2019, 2018 and 2017, within "Financial liabilities designated at fair value through profit or loss", liabilities linked to insurance products where the policyholder bears the risk ("*Unit-Link*") are recorded. Since the liabilities linked to insurance products in which the policyholder assumes the risk are valued the same way as the assets associated to these insurance products, there is no credit risk component borne by the Group in relation to these liabilities.

In addition, the assets and liabilities are included in these headings to reduce inconsistencies (asymmetries) in the valuation of those operations and those used to manage their risk.

13. Financial assets at fair value through other comprehensive income

13.1 Breakdown of the balance

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

Financial assets designated at fair value through other comprehensive income (Millions of Euros)

	Notes	2019	2018	2017
Equity instruments	7.1.2	2,420	2,595	4,488
Loss allowances		-	-	*(1,264)*
Subtotal		**2,420**	**2,595**	**3,224**
Debt securities	7.1.2	58,841	53,737	66,273
Loss allowances		*(110)*	*(28)*	*(21)*
Subtotal		**58,731**	**53,709**	**66,251**
Loans and advances to credit institutions	7.1.2	33	33	-
Total		**61,183**	**56,337**	**69,476**

13.2 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying consolidated financial statements as of December 31, 2019 and 2018 is as follows:

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

Financial assets at fair value through other comprehensive income. Equity instruments. (Millions of Euros)

	2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Equity instruments								
Spanish companies shares	2,181	-	(507)	1,674	2,172	-	(210)	1,962
Foreign companies shares	136	87	(11)	213	90	43	(12)	121
The United States	30	47	-	78	20	17	-	37
Mexico	1	33	-	34	1	25	-	26
Turkey	3	2	-	5	3	-	(1)	2
Other countries	102	5	(11)	96	66	1	(11)	56
Subtotal equity instruments listed	**2,317**	**87**	**(518)**	**1,886**	**2,262**	**43**	**(222)**	**2,083**
Equity instruments								
Spanish companies shares	5	1	-	5	6	1	-	7
Foreign companies shares	450	79	(1)	528	453	54	(1)	506
The United States	387	32	-	419	388	23	-	411
Mexico	-	-	-	-	-	-	-	-
Turkey	5	4	-	9	6	4	-	10
Other countries	57	43	(1)	99	59	27	(1)	85
Subtotal unlisted equity instruments	**454**	**80**	**(1)**	**533**	**459**	**55**	**(1)**	**513**
Total	**2,772**	**167**	**(519)**	**2,420**	**2,721**	**98**	**(223)**	**2,595**

The breakdown of the balance under the heading "Equity instruments" of the accompanying consolidated financial statements as of December 31, 2017 is as follows:

Available-for-sale financial assets. Equity instruments. December 2017 (Millions of Euros)

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Equity instruments listed				
Spanish companies shares	2,189	-	(1)	2,188
Foreign companies shares	215	33	(7)	241
United States	11	-	-	11
Mexico	8	25	-	33
Turkey	4	1	-	5
Other countries	192	7	(7)	192
Subtotal equity instruments listed	**2,404**	**33**	**(8)**	**2,429**
Unlisted equity instruments				
Spanish companies shares	33	29	-	62
Foreign companies shares	665	77	(8)	734
United States	498	40	(6)	532
Mexico	1	-	-	1
Turkey	15	6	(2)	19
Other countries	151	31	-	182
Subtotal unlisted equity instruments	**698**	**106**	**(8)**	**796**
Total	**3,102**	**139**	**(16)**	**3,224**

13.3 Debt securities

The breakdown of the balance under the heading “Debt securities” of the accompanying consolidated financial statements as of December 31, 2019 and 2018, broken down by issuers, is as follows:

Financial assets at fair value through other comprehensive income. (Millions of Euros)

	2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agency debt securities	20,740	830	(20)	21,550	17,205	661	(9)	17,857
Central banks	-	-	-	-	-	-	-	-
Credit institutions	959	65	-	1,024	793	63	-	855
Other issuers	907	40	-	947	804	37	(1)	841
Subtotal	**22,607**	**935**	**(21)**	**23,521**	**18,802**	**761**	**(10)**	**19,553**
Foreign debt securities								
Mexico	**7,790**	**22**	**(26)**	**7,786**	**6,299**	**6**	**(142)**	**6,163**
Government and other government agency debt securities	6,869	18	(19)	6,868	5,286	4	(121)	5,169
Central banks	-	-	-	-	-	-	-	-
Credit institutions	77	2	-	78	35	-	(1)	34
Other issuers	843	2	(6)	840	978	2	(20)	961
The United States	**11,376**	**68**	**(51)**	**11,393**	**14,507**	**47**	**(217)**	**14,338**
Government securities	8,570	42	(12)	8,599	11,227	37	(135)	11,130
Treasury and other government agencies	5,595	32	(2)	5,624	7,285	29	(56)	7,258
States and political subdivisions	2,975	10	(10)	2,975	3,942	8	(79)	3,872
Central banks	-	-	-	-	-	-	-	-
Credit institutions	122	2	-	124	49	1	-	50
Other issuers	2,684	24	(39)	2,670	3,231	9	(82)	3,158
Turkey	**3,752**	**38**	**(76)**	**3,713**	**4,164**	**20**	**(269)**	**3,916**
Government and other government agency debt securities	3,752	38	(76)	3,713	4,007	20	(256)	3,771
Central banks	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	157	-	(13)	145
Other issuers	-	-	-	-	-	-	-	-
Other countries	**11,870**	**554**	**(106)**	**12,318**	**9,551**	**319**	**(130)**	**9,740**
Other foreign governments and other government agency debt securities	6,963	383	(78)	7,269	4,510	173	(82)	4,601
Central banks	1,005	9	(4)	1,010	987	2	(4)	986
Credit institutions	1,795	109	(12)	1,892	1,856	111	(20)	1,947
Other issuers	2,106	53	(12)	2,147	2,197	33	(25)	2,206
Subtotal	**34,788**	**681**	**(259)**	**35,210**	**34,521**	**392**	**(758)**	**34,157**
Total	**57,395**	**1,617**	**(280)**	**58,731**	**53,323**	**1,153**	**(768)**	**53,709**

The breakdown of the balance under the heading "Debt securities" of the accompanying consolidated financial statements as of December 31, 2017, broken down by issuers, is as follows:

Available-for-sale financial assets. December 2017 (Millions of Euros)

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities				
Government and other government agency debt securities	22,765	791	(17)	23,539
Central banks	-	-	-	-
Credit institutions	891	72	-	962
Other issuers	1,061	43	-	1,103
Subtotal Spanish debt securities	**24,716**	**906**	**(17)**	**25,605**
Foreign debt securities				
Mexico	**9,755**	**45**	**(142)**	**9,658**
Government and other government agency debt securities	8,101	34	(120)	8,015
Central banks	-	-	-	-
Credit institutions	212	1	(3)	209
Other issuers	1,442	10	(19)	1,434
The United States	**12,479**	**36**	**(198)**	**12,317**
Government securities	8,625	8	(133)	8,500
Treasury and other government agencies	3,052	-	(34)	3,018
States and political subdivisions	5,573	8	(99)	5,482
Central banks	-	-	-	-
Credit institutions	56	1	-	57
Other issuers	3,798	26	(65)	3,759
Turkey	**5,052**	**48**	**(115)**	**4,985**
Government and other government agency debt securities	5,033	48	(114)	4,967
Central banks	-	-	-	-
Credit institutions	19	-	(1)	19
Other issuers	-	-	-	-
Other countries	**13,271**	**533**	**(117)**	**13,687**
Other foreign governments and other government agency debt securities	6,774	325	(77)	7,022
Central banks	1,330	2	(1)	1,331
Credit institutions	2,535	139	(19)	2,654
Other issuers	2,632	66	(19)	2,679
Subtotal	**40,557**	**661**	**(572)**	**40,647**
Total	**65,273**	**1,567**	**(589)**	**66,251**

The credit ratings of the issuers of debt securities as of December 31, 2019, 2018, and 2017 are as follows:

Debt securities by rating

	2019		2018		2017	
	Fair value (Millions of Euros)	**%**	**Fair value (Millions of Euros)**	**%**	**Fair value (Millions of Euros)**	**%**
AAA	3,669	6.2%	531	1.0%	687	1.0%
AA+	7,279	12.4%	13,100	24.4%	10,738	16.2%
AA	317	0.5%	222	0.4%	507	0.8%
AA-	265	0.5%	409	0.8%	291	0.4%
A+	3,367	5.7%	632	1.2%	664	1.0%
A	12,895	22.0%	687	1.3%	683	1.0%
A-	10,947	18.6%	18,426	34.3%	1,330	2.0%
BBB+	9,946	16.9%	9,195	17.1%	35,175	53.1%
BBB	2,966	5.1%	4,607	8.6%	7,958	12.0%
BBB-	1,927	3.3%	1,003	1.9%	5,583	8.4%
BB+ or below	4,712	8.0%	4,453	8.3%	1,564	2.4%
Without rating	441	0.8%	445	0.8%	1,071	1.6%
Total	**58,731**	**100.0%**	**53,709**	**100.0%**	**66,251**	**100.0%**

13.4 Gains/losses

Changes in gains / losses

The changes in the gains/losses (net of taxes) in December 31, 2019 and 2018 of debt securities recognized under the equity heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Fair value changes of debt instruments measured at fair value through other comprehensive income" and equity instruments recognized under the equity heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Changes in fair value of equity instruments designated at fair value through other comprehensive income" in the accompanying consolidated balance sheets are as follows:

Other comprehensive income - Changes in gains / losses (Millions of euros)

		Debt securities		Equity instruments	
	Notes	**2019**	**2018**	**2019**	**2018**
Balance at the beginning		**943**	**1,557**	**(155)**	**84**
Effect of changes in accounting policies (IFRS 9)		-	(58)	-	(40)
Valuation gains and losses		1,267	(640)	(238)	(174)
Amounts transferred to income		(119)	(137)		
Other reclassifications		-	-	-	-
Income tax		(331)	221	(10)	(25)
Balance at the end	**30**	**1,760**	**943**	**(403)**	**(155)**

In 2019, the debt securities impaired recognized in the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss net gains by modification– Financial assets at fair value through other comprehensive income" in the accompanying consolidated income statement amounted to €83 million (see Note 47) as a result of the decrease in the rating of debt securities in BBVA Argentina during the last quarter of 2019.

In 2018, the debt securities impaired recognized in the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss net gains by modification– Financial assets at fair value through other comprehensive income" in the accompanying consolidated income statement amounted to €1 million (see Note 47).

During 2019 and 2018 there has been no significant impairment registered in equity instruments under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss net gains by modification- Financial assets at fair value through other comprehensive income" (see Note 47).

14. Financial assets at amortized cost

14.1 Breakdown of the balance

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

Financial assets at amortized cost (Millions of Euros)	Notes	2019	2018	2017
Debt securities		**38,877**	**32,530**	**24,093**
Government		31,526	25,014	17,030
Credit institutions		719	644	1,152
Other sectors		6,632	6,872	5,911
Loans and advances to central banks		**4,275**	**3,941**	**7,300**
Loans and advances to credit institutions		**13,649**	**9,163**	**26,261**
Reverse repurchase agreements	35	1,817	478	13,861
Other loans and advances		11,832	8,685	12,400
Loans and advances to customers		**382,360**	**374,027**	**387,621**
Government		28,222	28,114	31,645
Other financial corporations		11,207	9,468	18,173
Non-financial corporations		166,789	163,922	164,510
Other		176,142	172,522	173,293
Total		**439,162**	**419,660**	**445,275**
Of which: impaired assets of loans and advances to customers		*15,954*	*16,349*	*19,390*
Of which: loss allowances of loans and advances		*(12,427)*	*(12,217)*	*(12,784)*
Of which: loss allowances of debt securities		*(52)*	*(51)*	*(15)*

During financial years 2019 and 2018, there have been no significant reclassifications neither from “Financial assets at amortized cost” to other headings or from other headings to “Financial assets at amortized cost”.

14.2 Debt securities

The breakdown of the balance under the heading “Debt securities” in the accompanying consolidated balance sheets, according to the issuer of the debt securities, is as follows:

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Financial assets at amortized cost. (Millions of Euros)

	2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agencies	12,755	630	(21)	13,363	10,953	458	(265)	11,146
Central banks	-	-	-	-	-	-	-	-
Credit institutions	26	-	-	26	53	-	-	53
Other issuers	4,903	38	(10)	4,931	5,014	41	(25)	5,030
Subtotal	**17,684**	**668**	**(31)**	**18,320**	**16,019**	**499**	**(290)**	**16,228**
Foreign debt securities								
Mexico	**6,374**	**168**	**(18)**	**6,525**	**5,148**	**10**	**-**	**5,157**
Government and other government agencies debt securities	5,576	166	-	5,742	4,571	9	-	4,579
Central banks	-	-	-	-	-	-	-	-
Credit institutions	526	2	-	529	350	1	-	351
Other issuers	272	-	(18)	254	227	-	-	227
The United States	**6,125**	**111**	**(20)**	**6,217**	**2,559**	**15**	**(3)**	**2,570**
Government securities	5,690	111	(18)	5,783	2,070	-	-	2,070
Treasury and other government agencies	1,161	50	(17)	1,193	118	-	-	118
States and political subdivisions	4,530	61	(1)	4,590	1,952	-	-	1,952
Central banks	-	-	-	-	-	-	-	-
Credit institutions	25	-	(1)	25	23	9	(2)	30
Other issuers	410	-	(1)	409	466	6	(1)	470
Turkey	**4,113**	**48**	**(65)**	**4,097**	**4,062**	**-**	**(261)**	**3,801**
Government and other government agencies debt securities	4,105	47	(65)	4,088	4,054	-	(261)	3,793
Central banks	-	-	-	-	-	-	-	-
Credit institutions	7	1	-	8	7	-	-	7
Other issuers	1	-	-	1	1	-	-	1
Other countries	**4,581**	**82**	**(26)**	**4,637**	**4,741**	**32**	**(152)**	**4,622**
Other foreign governments and other government agency debt securities	3,400	82	(22)	3,459	3,366	27	(152)	3,242
Central banks	-	-	-	-	64	-	-	64
Credit institutions	135	-	-	135	147	-	-	147
Other issuers	1,047	-	(4)	1,043	1,164	5	-	1,169
Subtotal	**21,194**	**409**	**(129)**	**21,476**	**16,510**	**57**	**(416)**	**16,150**
Total	**38,877**	**1,077**	**(160)**	**39,796**	**32,530**	**556**	**(706)**	**32,378**

As of December 31, 2019 and 2018, the credit ratings of the issuers of debt securities classified as follows:

	2019		2018	
	Carrying amount (Millions of Euros)	**%**	**Carrying amount (Millions of Euros)**	**%**
AAA	39	0.1%	49	0.2%
AA+	6,481	16.7%	1,969	6.1%
AA	14	-	62	0.2%
AA-	713	1.8%	-	-
A+	-	-	607	1.9%
A	16,806	43.2%	21	0.1%
A-	607	1.6%	6,117	18.8%
BBB+	3,715	9.6%	13,894	42.7%
BBB	551	1.4%	1,623	5.0%
BBB-	3,745	9.6%	2,694	8.3%
BB+ or below	5,123	13.2%	4,371	13.4%
Without rating	1,083	2.8%	1,123	3.5%
Total	**38,877**	**100.0%**	**32,530**	**100.0%**

14.3 Loans and advances to customers

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

Loans and advances to customers (Millions of Euros)

	Notes	2019	2018	2017
On demand and short notice		3,050	3,641	10,560
Credit card debt		16,354	15,445	15,835
Trade receivables		17,276	17,436	22,705
Finance leases		8,711	8,650	8,642
Reverse repurchase agreements	35	26	294	11,554
Other term loans		332,160	324,767	313,336
Advances that are not loans		4,784	3,794	4,989
Total		**382,360**	**374,027**	**387,621**

The following table sets forth a breakdown of the gross carrying amount "Loans and advances to customers" with maturity greater than one year by fixed and variable rate as of December 31, 2019:

'Interest sensitivity of outstanding loans and advances maturing in more than one year (Millions of Euros)

	Domestic	Foreign	Total
Fixed rate	55,920	68,915	124,835
Variable rate	79,329	97,765	177,095
Total	**135,249**	**166,680**	**301,929**

As of December 31, 2019, 2018 and 2017, 41%, 38% and 38%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 59%, 62% and 62%, respectively, have variable interest rates.

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The heading "Financial assets at amortized cost – Loans and advances to customers" in the accompanying consolidated balance sheets also includes certain secured loans that, as mentioned in Appendix X and pursuant to the Mortgage Market Act, are linked to long-term mortgage-covered bonds.

This heading also includes some loans that have been securitized. The balances recognized in the accompanying consolidated balance sheets corresponding to these securitized loans are as follows:

Securitized loans (Millions of Euros)	2019	2018	2017
Securitized mortgage assets	26,169	26,556	28,950
Other securitized assets	4,249	3,221	4,143
Total securitized assets	**30,418**	**29,777**	**33,093**

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

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

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)	2019	2018	2017
ASSETS			
Derivatives – Hedge accounting	1,729	2,892	2,485
Fair value changes of the hedged items in portfolio hedges of interest rate risk	28	(21)	(25)
LIABILITIES			
Hedging derivatives	2,233	2,680	2,880
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-	(7)

As of December 31, 2019, 2018 and 2017, the main positions hedged by the Group and the derivatives designated to hedge those positions were:

- Fair value hedging:
  - Fixed-interest debt securities at fair value through other comprehensive income and at amortized cost: The interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps) and forward sales.
  - Long-term fixed-interest debt securities issued by the Bank: the interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest loans: The equity price risk of these instruments is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest and/or embedded derivative deposit portfolio hedges: it covers the interest rate risk through fixed-variable swaps. The valuation of the borrowed deposits corresponding to the interest rate risk is in the heading "Fair value changes of the hedged items in portfolio hedges of interest rate risk".
- Cash-flow hedges: Most of the hedged items are floating interest-rate loans and asset hedges linked to the inflation of the financial assets at fair value through other comprehensive income portfolio. This risk is hedged using foreign-exchange, interest-rate swaps, inflation and FRA's ("Forward Rate Agreement").
- Net foreign-currency investment hedges: These hedged risks are foreign-currency investments in the Group's foreign subsidiaries. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 7 analyzes the Group's main risks that are hedged using these derivatives.

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

Derivatives - Hedge accounting breakdown by type of risk and type of hedge. (Millions of Euros)

	2019		2018		2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate	**920**	**488**	**982**	**513**	**1,141**	**850**
OTC	920	488	982	513	1,141	850
Organized market	-	-	-	-	-	-
Equity	**-**	**3**	**6**	**-**	**-**	**-**
OTC	-	3	6	-	-	-
Organized market	-	-	-	-	-	-
Foreign exchange and gold	**420**	**316**	**587**	**398**	**625**	**511**
OTC	420	316	587	398	625	511
Organized market	-	-	-	-	-	-
Credit	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Other	-	-	-	-	-	-
FAIR VALUE HEDGES	**1,341**	**808**	**1,575**	**912**	**1,766**	**1,362**
Interest rate	**224**	**850**	**221**	**562**	**244**	**533**
OTC	224	839	219	562	242	533
Organized market	-	11	2	-	2	-
Equity	-	-	-	-	-	-
OTC	-	-	-	-	-	-
Organized market	-	-	-	-	-	-
Foreign exchange and gold	**115**	**18**	**955**	**873**	**119**	**714**
OTC	115	18	955	873	119	714
Organized market	-	-	-	-	-	-
Credit	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Other	-	-	-	-	-	-
CASH FLOW HEDGES	**339**	**868**	**1,176**	**1,435**	**363**	**1,247**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**12**	**242**	**92**	**231**	**301**	**15**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**37**	**216**	**33**	**90**	**46**	**256**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**1**	**99**	**15**	**12**	**9**	**-**
DERIVATIVES-HEDGE ACCOUNTING	**1,729**	**2,233**	**2,892**	**2,680**	**2,485**	**2,880**
of which: OTC - credit institutions	*1,423*	*1,787*	*2,534*	*2,462*	*1,829*	*2,527*
of which: OTC - other financial corporations	*306*	*426*	*355*	*216*	*651*	*234*
of which: OTC - other	*-*	*8*	*2*	*2*	*2*	*120*

The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying consolidated balance sheet as of December 31, 2019 are:

Cash flows of hedging instruments (Millions of Euros)

	3 months or less	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Receivable cash inflows	447	488	2,076	2,061	5,071
Payable cash outflows	395	411	2,223	2,003	5,032

The above cash flows will have an impact on the Group's consolidated income statements until 2057.

In 2019, 2018 and 2017, there was no reclassification in the accompanying consolidated income statements of any amount corresponding to cash flow hedges that was previously recognized in equity (see Note 41).

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in December 31, 2019, 2018 and 2017 were not material.

16. Investments in joint ventures and associates

16.1 Joint ventures and associates

The breakdown of the balance of "Investments in joint ventures and associates" in the accompanying consolidated balance sheets is as follows:

Joint ventures and associates. Breakdown by entities (Millions of Euros)

	2019	2018	2017
Joint ventures			
Altura Markets S.V., S.A.	73	69	64
RCI Colombia	37	32	19
Desarrollo Metropolitanos del Sur, S.L.	14	13	12
Other	30	59	160
Subtotal	**154**	**173**	**256**
Associates			
Divarian Propiedad, S.A.U.	630	591	-
Metrovacesa, S.A.	443	508	697
ATOM Bank PLC	136	138	66
Solarisbank AG	36	37	-
Cofides	23	22	21
Redsys servicios de procesamiento, S.L.	14	12	10
Servicios Electrónicos Globales S.A. de CV	11	9	6
Other	41	88	533
Subtotal	**1,334**	**1,405**	**1,332**
Total	**1,488**	**1,578**	**1,588**

Details of the joint ventures and associates as of December 31, 2019 are shown in Appendix II.

The following is a summary of the changes in the in December 31, 2019, 2018 and 2017 under this heading in the accompanying consolidated balance sheets:

Joint ventures and associates. Changes in the year (Millions of Euros)

	Notes	2019	2018	2017
Balance at the beginning		**1,578**	**1,588**	**765**
Acquisitions and capital increases		161	309	868
Disposals and capital reductions		(149)	(516)	(8)
Transfers and changes of consolidation method		(27)	211	-
Share of profit and loss	39	(42)	(7)	4
Exchange differences		10	2	(29)
Dividends, valuation adjustments and others		(43)	(8)	(12)
Balance at the end		**1,488**	**1,578**	**1,588**

The variation during the year 2017 was mainly explained by the increase of BBVA Group stakes in Testa Residencial, S.A. and Metrovacesa Suelo y Promoción, S.A. through its contribution to the capital increases carried out by both entities by contributing assets from the Bank's real estate assets (see Note 21).

The variation during the year 2018 was mainly explained by the decrease of BBVA Group stakes in Testa Residencial, S.A., Metrovacesa Suelo y Promoción, S.A. and the contribution of assets and subsequent sale to Cerberus of 80% of the capital stake in Divarian Propiedad, S.A.U., (see Note 3 and Appendix III).

During the year 2019, there was no significant change in the heading "Investment in joint ventures and associates"

Appendix III provides notifications on acquisitions and disposals of holdings in subsidiaries, joint ventures and associates, in compliance with article 155 of the Corporations Act and article 53 of the Securities Market Act 24/1988.

16.2 Other information about associates and joint ventures

If these entities had been consolidated rather than accounted for using the equity method, the change in each of the lines of balance sheet and the consolidated income statement would not be significant.

As of December 31, 2019, 2018 and 2017 there was no financial support agreement or other contractual commitment to associates and joint ventures entities from the holding or the subsidiaries that are not recognized in the financial statements (see Note 53.2).

As of December 31, 2019, 2018 and 2017 there was no contingent liability in connection with the investments in joint ventures and associates (see Note 53.2).

16.3 Impairment

As described in IAS 36, when there is indicator of impairment, the book value of the associates and joint venture entities should be compared with their recoverable amount, being the latter calculated as the higher between the value in use and the fair value minus the cost of sale. As of December 31, 2019, 2018 and 2017, there were no significant impairments recognized.

17. Tangible assets

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

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

Tangible assets: Breakdown by type of assets and changes in the year 2019. (Millions of Euros)

	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Right to use asset(*)		Investment properties	Assets leased out under an operating lease	Total
					Own use	Investment properties			
Cost									
Balance at the beginning		**5,939**	**70**	**6,314**	**-**	**-**	**201**	**386**	**12,910**
Additions		90	63	335	3,574	101	12	-	4,175
Retirements		(44)	(20)	(302)	(57)	-	(10)	-	(433)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-	-
Transfers		(41)	(51)	(8)	(1)	-	13	-	(88)
Exchange difference and other		57	(6)	12	-	-	-	(49)	14
Balance at the end		**6,001**	**56**	**6,351**	**3,516**	**101**	**216**	**337**	**16,578**
Accrued depreciation									
Balance at the beginning		**1,138**	**-**	**4,212**	**-**	**-**	**11**	**76**	**5,437**
Additions	45	126	-	457	381	11	4	-	979
Retirements		(38)	-	(255)	(3)	-	-	-	(296)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-	-
Transfers		(16)	-	(13)	(1)	-	-	-	(30)
Exchange difference and other		43	-	(57)	(7)	-	-	(2)	(23)
Balance at the end		**1,253**	**-**	**4,344**	**370**	**11**	**15**	**74**	**6,067**
Impairment									
Balance at the beginning		**217**	**-**	**-**	**-**	**-**	**27**	**-**	**244**
Additions	48	14	-	20	60	-	-	-	94
Retirements		(3)	-	-	-	-	-	-	(3)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-	-
Transfers		(16)	-	-	127	14	(4)	-	121
Exchange difference and other		-	-	(20)	4	-	3	-	(13)
Balance at the end		**212**	**-**	**-**	**191**	**14**	**26**	**-**	**443**
Net tangible assets									
Balance at the beginning		**4,584**	**70**	**2,102**	**-**	**-**	**163**	**310**	**7,229**
Balance at the end		**4,536**	**56**	**2,007**	**2,955**	**76**	**175**	**263**	**10,068**

(*) The right to use is included at the date of implementation of IFRS 16 as of January 1, 2019.The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches located in the countries where the Group operates whose average term is between 5 and 20 years. The clauses included in rental contracts correspond to a large extent to rental contracts under normal market conditions in the country where the property is rented (see Note 2.3). During 2019, there have been no significant changes in the right to use assets for leases.

Tangible assets. Breakdown by type of assets and changes in the year 2018 (Millions of Euros)

		For own use						
	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Total tangible asset of own use	Investment properties	Assets leased out under an operating lease	Total
Cost								
Balance at the beginning		5,490	234	6,628	12,352	228	492	13,072
Additions		445	78	404	927	11	-	938
Retirements		(98)	(17)	(492)	(607)	(149)	(1)	(757)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		64	(177)	(12)	(125)	(5)	-	(130)
Exchange difference and other		38	(48)	(214)	(224)	116	(105)	(213)
Balance at the end		5,939	70	6,314	12,323	201	386	12,910
Accrued depreciation								
Balance at the beginning		1,076	-	4,380	5,456	13	77	5,546
Additions	45	120	-	469	589	5	-	594
Retirements		(36)	-	(403)	(439)	(8)	-	(447)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		(3)	-	-	(3)	-	-	(3)
Transfers		(31)	-	(22)	(53)	(2)	-	(55)
Exchange difference and other		12	-	(212)	(200)	3	(1)	(198)
Balance at the end		1,138	-	4,212	5,350	11	76	5,437
Impairment								
Balance at the beginning		315	-	-	315	20	-	335
Additions	48	30	-	-	30	(25)	-	5
Retirements		-	-	-	-	(27)	-	(27)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		(77)	-	-	(77)	(3)	-	(80)
Exchange difference and other		(51)	-	-	(51)	62	-	11
Balance at the end		217	-	-	217	27	-	244
Net tangible assets								
Balance at the beginning		**4,099**	**234**	**2,248**	**6,581**	**195**	**415**	**7,191**
Balance at the end		**4,584**	**70**	**2,102**	**6,756**	**163**	**310**	**7,229**

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

Tangible assets. Breakdown by type of assets and changes in the year 2017 (Millions of Euros)

	Notes	For own use			Total tangible asset of own use	Investment properties	Assets leased out under an operating lease	Total
		Land and buildings	Work in progress	Furniture, fixtures and vehicles				
Cost								
Balance at the beginning		**6,176**	**240**	**7,059**	**13,473**	**1,163**	**958**	**15,594**
Additions		49	128	397	574	1	201	776
Retirements		(42)	(29)	(264)	(335)	(90)	(93)	(518)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(552)	(552)
Transfers		(273)	(57)	(186)	(516)	(698)	-	(1,214)
Exchange difference and other		(420)	(48)	(378)	(844)	(148)	(22)	(1,014)
Balance at the end		**5,490**	**234**	**6,628**	**12,352**	**228**	**492**	**13,072**
Accrued depreciation								
Balance at the beginning		**1,116**	**-**	**4,461**	**5,577**	**63**	**216**	**5,856**
Additions	45	127	-	553	680	13	-	693
Retirements		(26)	-	(235)	(261)	(7)	(21)	(289)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(134)	(134)
Transfers		(53)	-	(146)	(199)	(31)	-	(230)
Exchange difference and other		(88)	-	(253)	(341)	(25)	16	(350)
Balance at the end		**1,076**	**-**	**4,380**	**5,456**	**13**	**77**	**5,546**
Impairment								
Balance at the beginning		**379**	**-**	**-**	**379**	**409**	**10**	**798**
Additions	48	5	-	-	5	37	-	42
Retirements		(2)	-	-	(2)	(10)	-	(12)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(10)	(10)
Transfers		(58)	-	-	(58)	(276)	-	(334)
Exchange difference and other		(9)	-	-	(9)	(140)	-	(149)
Balance at the end		**315**	**-**	**-**	**315**	**20**	**-**	**335**
Net tangible assets								
Balance at the beginning		**4,681**	**240**	**2,598**	**7,519**	**691**	**732**	**8,941**
Balance at the end		**4,099**	**234**	**2,248**	**6,581**	**195**	**415**	**7,191**

As of December 31, 2019, 2018 and 2017, the cost of fully amortized tangible assets that remained in use were €2,658 €2,624 and €2,660 million respectively while its recoverable residual value was not significant.

As of December 31, 2019, 2018 and 2017 the amount of tangible assets under financial lease schemes on which the purchase option is expected to be exercised was not material. The main activity of the Group is carried out through a network of bank branches located geographically as shown in the following table:

Branches by geographical location (Number of branches)	2019	2018	2017
Spain	2,642	2,840	3,019
Mexico	1,860	1,836	1,840
South America	1,530	1,543	1,631
The United States	643	646	651
Turkey	1,038	1,066	1,095
Rest of Eurasia	31	32	35
Total	**7,744**	**7,963**	**8,271**

The following table shows the detail of the net carrying amount of the tangible assets corresponding to Spanish and foreign subsidiaries as of December 31, 2019, 2018 and 2017:

Tangible assets by Spanish and foreign subsidiaries. Net assets values (Millions of euros)	2019	2018	2017
BBVA and Spanish subsidiaries	4,865	2,705	2,574
Foreign subsidiaries	5,203	4,524	4,617
Total	**10,068**	**7,229**	**7,191**

18. Intangible assets

18.1 Goodwill

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the cash-generating unit (hereinafter "CGU") to which goodwill has been allocated, is as follows:

Goodwill. Breakdown by CGU and changes of the year (Millions of Euros)

	The United States	Turkey	Mexico	Colombia	Chile	Other	Total
Balance as of December 31, 2016	**5,503**	**624**	**523**	**191**	**68**	**28**	**6,937**
Additions	-	-	24	-	-	-	24
Exchange difference	(666)	(115)	(44)	(22)	(3)	(1)	(851)
Impairment	-	-	-	-	-	(4)	(4)
Other	-	-	(10)	-	(33)	-	(43)
Balance as of December 31, 2017	**4,837**	**509**	**493**	**168**	**32**	**23**	**6,062**
Additions	-	-	-	-	-	-	-
Exchange difference	229	(127)	26	(7)	(3)	-	118
Impairment	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as of December 31, 2018	**5,066**	**382**	**519**	**161**	**29**	**23**	**6,180**
Additions	-	-	-	-	-	-	-
Exchange difference	98	(36)	31	3	(2)	(1)	93
Impairment	(1,318)	-	-	-	-	-	(1,318)
Other	-	-	-	-	-	-	-
Balance as of December 31, 2019	**3,846**	**346**	**550**	**164**	**27**	**22**	**4,955**

Goodwill in business combinations

There were no significant business combinations during 2019, 2018 and 2017.

Impairment Test

As mentioned in Note 2.2.8, the CGUs to which goodwill has been allocated, are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually and whenever there is any indication of impairment.

The BBVA Group performs estimations on the recoverable amount of certain CGU´s by calculating the value in use through the discounted value of future cash flows method.

The main hypotheses used for the value in use calculation are the following:

- The forecast cash flows, including net interest margin, estimated by the Group's management, and based on the latest available budgets for the next 3 to 5 years, considering the macroeconomic variables of each CGU, regarding the existing balance structure as well as macroeconomic variables such as the evolution of interest rates and the CPI of the geography where the CGU is located, among others.
- The constant sustainable growth rate for extrapolating cash flows, starting in the third or fifth year, beyond the period covered by the budgets or forecasts.
- The discount rate on future cash flows, which coincides with the cost of capital assigned to each CGU, and which consists of a risk-free rate plus a premium that reflects the inherent risk of each of the businesses evaluated.

The focus used by the Group's management to determine the values of the assumptions is based both on its projections and past experience. These values are verified and use external sources of information, wherever possible. Additionally, the valuations of the goodwill of the CGUs of The United States and Turkey have been reviewed by independent experts (not the Group's external auditors). However, certain changes to the valuation assumptions used could cause differences in the impairment test result.

As a result of the goodwill impairment tests performed by the Group as of December 31, 2019, the Group estimated impairment losses in the United States CGU, which have been recognized under “Impairment or reversal of impairment on non-financial assets - Intangible assets” in the accompanying consolidated income statement as of December 31, 2019, assigned to the Group Corporate Center. This impairment had a net negative impact on the “Profit for the year – attributable to owners of the parent” of €1,318 million, which is mainly as a result of the negative evolution of interest rates, especially in the second half of the year, which accompanied by the slowdown of the economy causes the expected evolution of results below the previous estimation. This recognition does not affect the Tangible Net Equity or the solvency ratio of the BBVA Group.

As of December 31, 2018 and 2017, no impairment has been identified in any of the main CGUs.

Goodwill - The United States CGU

The Group's most significant goodwill corresponds to the CGU in the United States, the main significant assumptions used in the impairment test of this mentioned CGU are:

Impairment test assumptions CGU goodwill in the United States

	2019	2018	2017
Discount rate	10.0%	10.5%	10.0%
Sustainable growth rate	3.5%	4.0%	4.0%

In accordance with paragraph 33.c of IAS 36, as of December 31, 2019, the Group used a steady growth rate of 3.5% based on the real GDP growth rate of the United States, the expected inflation and the potential growth of the banking sector in the United States. This 3.5% rate is lower than the historical average of the past 30 years of the nominal GDP rate of the United States and lower than the real GDP growth forecasted by the IMF.

The assumptions with a greater relative weight and whose volatility could have a greater impact in determining the present value of the cash flows starting on the fifth year are the discount rate and the sustainable growth rate. Below is shown the increased (or decreased) amount of the CGU recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions as of December 31, 2019:

Sensitivity analysis for main assumptions - The United States (Millions of Euros)

	Increase of 50 basis points (*)	Decrease of 50 basis points (*)
Discount rate	(871)	1,017
Sustainable growth rate	340	(292)

(*) Based on historical changes, the use of 50 basis points to calculate the sensitivity analysis would be a reasonable variation with respect to the observed variations over the last five years.

Goodwill - Turkey CGU

The main significant assumptions used in the impairment test of the CGU of Turkey are:

Impairment test assumptions CGU goodwill in Turkey

	2019	2018	2017
Discount rate	17.4%	24.3%	18.0%
Sustainable growth rate	7.0%	7.0%	7.0%

Given the potential growth of the sector in Turkey, in accordance with paragraph 33.c of IAS 36, as of December 31, 2019, 2018 and 2017 the Group used a steady growth rate of 7.0% based on the real GDP growth rate of Turkey and expected inflation.

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the sustainable growth rate. Below is shown the increased (or decreased) amount of the recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions as of December 31, 2019:

Sensitivity analysis for main assumptions - Turkey (Millions of euros)

	Impact of an increase of 50 basis points	Impact of a decrease of 50 basis points
Discount rate	(192)	212
Sustainable growth rate	31	(28)

Goodwill - Other CGUs

The sensitivity analysis on the main hypotheses carried out for the rest of the CGUs of the Group indicate that their value in use would continue to exceed their book value.

18.2 Other intangible assets

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

Other intangible assets (Millions of Euros)

	2019	2018	2017
Computer software acquisition expense	1,598	1,605	1,682
Other intangible assets with an infinite useful life	11	11	12
Other intangible assets with a definite useful life	401	518	708
Total	**2,010**	**2,134**	**2,402**

The changes of this heading in December 31, 2019, 2018 and 2017, are as follows:

Other intangible assets (Millions of Euros)

	Notes	2019	2018	2017
Balance at the beginning		**2,134**	**2,402**	**2,849**
Additions		533	552	564
Amortization in the year	45	(620)	(614)	(694)
Exchange differences and other		(25)	(123)	(305)
Impairment	48	(12)	(83)	(12)
Balance at the end		**2,010**	**2,134**	**2,402**

As of December 31, 2019, 2018 and 2017, the cost of fully amortized intangible assets that remained in use were €2,702 million, €2,412 million, and €1,969 million respectively, while their recoverable value was not significant.

19. Tax assets and liabilities

19.1 Consolidated tax group

Pursuant to current legislation, BBVA consolidated tax group in Spain includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

19.2 Years open for review by the tax authorities

The years open to review in the BBVA consolidated tax group in Spain as of December 31, 2019 are 2014 and subsequent years for the main taxes applicable.

The remainder of the Spanish consolidated entities in general have the last four years open for inspection by the tax authorities for the main taxes applicable, except for those in which there has been an interruption of the limitation period due to the start of an inspection.

In the year 2017 as a consequence of the tax authorities examination reviews, inspections were initiated through the year 2013 inclusive, and all such years closed with acceptance during the year 2017. These inspections did not result in any material amount to record in the Consolidated Annual accounts as their impact was previously provisioned for.

In view of the varying interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that may be conducted by the tax authorities in the future may give rise to contingent tax liabilities which cannot be reasonably estimated at the present time. However, the Group considers that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Group's accompanying consolidated financial statements.

19.3 Reconciliation

The reconciliation of the Group's corporate income tax expense resulting from the application of the Spanish corporation income tax rate and the income tax expense recognized in the accompanying consolidated income statements is as follows:

Reconciliation of taxation at the Spanish corporation tax rate to the tax expense recorded for the year (Millions of Euros)

	2019		2018		2017	
	Amount	**Effective tax %**	**Amount**	**Effective tax %**	**Amount**	**Effective tax %**
Profit or (-) loss before tax	**6,398**		**8,446**		**6,931**	
From continuing operations	6,398		8,446		6,931	
From discontinued operations	-		-		-	
Taxation at Spanish corporation tax rate 30%	1,920		2,534		2,079	
Lower effective tax rate from foreign entities (*)	(381)		(234)		(307)	
Mexico	(112)	27%	(78)	28%	(100)	27%
Chile	(2)	27%	(18)	21%	(29)	21%
Colombia	6	32%	10	33%	(3)	29%
Peru	(12)	28%	(12)	28%	(16)	27%
Turkey	(86)	23%	(132)	20%	(182)	21%
Others	(175)		(4)		23	
Revenues with lower tax rate (dividends/capital gains)	(49)		(57)		(53)	
Equity accounted earnings	18		3		(2)	
Other effects (**)	545		(27)		457	
Income tax	**2,053**		**2,219**		**2,174**	
Of which: Continuing operations	*2,053*		*2,219*		*2,174*	
Of which: Discontinued operations	-		-		-	

(*) Calculated by applying the difference between the tax rate in force in Spain and the one applied to the Group's earnings in each jurisdiction.

(**) The amount of 2019 is generated as a result of the impact of the impairment of goodwill in The United States' CGU (see Note 18.1).

The effective income tax rate for the Group in the years ended December 31, 2019, 2018 and 2017 is as follows:

Effective tax rate (Millions of Euros)			
	2019	**2018**	**2017**
Income from:			
Consolidated tax group in Spain	(718)	1,482	(678)
Other Spanish entities	7	33	29
Foreign entities	7,109	6,931	7,580
Gains (losses) before taxes from continuing operations	**6,398**	**8,446**	**6,931**
Tax expense or income related to profit or loss from continuing operations	2,053	2,219	2,174
Effective tax rate	**32.1%**	**26.3%**	**31.4%**

In the year 2019, in the main countries in which the Group has presence, there has been no changes in the nominal tax rate on corporate income tax except for Colombia, where the applicable tax rate is 33% compared to the initially forecasted 37%. In the year 2018, the changes in the nominal tax rate on corporate income tax, in comparison with those existing in the previous years, in the main countries in which the Group has a presence, have been in the United States (federal tax from 35% to 21%), Turkey (from 20% to 22%), Argentina (from 35% to 30%), Chile (from 25.5% to 27%) and Colombia (from 40% to 37%).

19.4 Income tax recognized in equity

In addition to the income tax expense recognized in the accompanying consolidated income statements, the Group has recognized the following income tax charges for these items in the consolidated total equity:

Tax recognized in total equity (Millions of Euros)			
	2019	**2018**	**2017**
Charges to total equity			
Debt securities and others	(130)	(87)	(355)
Equity instruments	(40)	(56)	(74)
Subtotal	**(170)**	**(143)**	**(429)**
Total	**(170)**	**(143)**	**(429)**

19.5 Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying consolidated balance sheets includes current and deferred tax assets. The balance under the “Tax liabilities” heading includes the Group’s various current and deferred tax liabilities. The details of the mentioned tax assets and liabilities are as follows:

Tax assets and liabilities (Millions of Euros)

	2019	2018	2017
Tax assets			
Current tax assets	1,765	2,784	2,163
Deferred tax assets	15,318	15,316	14,725
Pensions	456	405	395
Financial Instruments	1,386	1,401	1,453
Other assets (investments in subsidiaries)	204	302	357
Loss allowances	1,636	1,375	1,005
Other	841	990	870
Secured tax assets (*)	9,363	9,363	9,433
Tax losses	1,432	1,480	1,212
Total	**17,083**	**18,100**	**16,888**
Tax liabilities			
Current tax liabilities	880	1,230	1,114
Deferred tax liabilities	1,928	2,046	2,184
Financial Instruments	1,014	1,136	1,427
Other	914	910	757
Total	**2,808**	**3,276**	**3,298**

(*) Law guaranteeing the deferred tax assets has been approved in Spain in 2013. In 2017 guaranteed deferred tax assets also existed in Portugal but in year 2018 they lost the guarantee due to the merge between BBVA Portugal S.A. and BBVA, S.A.

The most significant variations of the deferred assets and liabilities in the years 2019, 2018 and 2017 derived from the followings causes:

Deferred tax assets and liabilities. Annual variations (Millions of Euros)

	2019		2018		2017	
	Deferred assets	**Deferred liabilities**	**Deferred assets**	**Deferred liabilities**	**Deferred assets**	**Deferred liabilities**
Balance at the beginning	**15,316**	**2,046**	**14,725**	**2,184**	**16,391**	**3,392**
Pensions	51	-	10	-	(795)	-
Financials instruments	(15)	(122)	(52)	(291)	82	(367)
Other assets	(98)	-	(55)	-	(305)	-
Loss allowances	261	-	370	-	(385)	-
Others	(149)	4	120	153	(366)	(841)
Guaranteed tax assets	-	-	(70)	-	2	-
Tax losses	(48)	-	268	-	101	-
Balance at the end	**15,318**	**1,928**	**15,316**	**2,046**	**14,725**	**2,184**

With respect to the changes in assets and liabilities due to deferred tax in 2019 contained in the above table, the following should be pointed out:

- Secured tax assets maintain the same balance as in the previous year.
- The decrease in tax losses occurs as a result of the review of the balance of booked deferred taxes carried out on every accounting closing.
- The evolution of the deferred tax assets and liabilities (without taking into consideration the secured deferred tax asset and the tax losses) in net terms is a decrease of €168 million mainly due to the variations in the valuation of portfolio securities and to the operation of the corporate income tax in which differences between accounting and taxation produce movements in the deferred taxes.

On the deferred tax assets and liabilities contained in the table above, those included in section 19.4 above have been recognized against the entity's equity, and the rest against earnings for the year or reserves.

As of December 31, 2019, 2018 and 2017, the estimated amount of temporary differences associated with investments in subsidiaries, joint ventures and associates, which were not recognized deferred tax liabilities in the accompanying consolidated balance sheets, amounted to 473 million euros, 443 million euros and 376 million euros, respectively.

Of the deferred tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish government, broken down by the items that originated those assets is as follows:

Secured tax assets (Millions of Euros)	2019	2018	2017 (*)
Pensions	1,924	1,924	1,947
Loss allowances	7,439	7,439	7,486
Total	**9,363**	**9,363**	**9,433**

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

As of December 31, 2019, non-guaranteed net deferred tax assets of the above table amounted to €4,027 million (€3,907 and €3,108 million as of December 31, 2018 and 2017 respectively), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €2,447 million as of December 31, 2019 (€2,653 and €2,052 million as of December 31, 2018 and 2017, respectively). €1,420 million of the figure recorded in the year ended December 31, 2019 for net deferred tax assets related to tax credits and tax loss carry forwards and €1,027 million relate to temporary differences.
- Mexico: Net deferred tax assets recognized in Mexico amounted to €1,083 million as of December 31, 2019 (€826 and €615 million as of December 31, 2018 and 2017, respectively). Practically all of deferred tax assets as of December 31, 2019 relate to temporary differences. The remainders are tax credits carry forwards.
- South America: Net deferred tax assets recognized in South America amounted to €84 million as of December 31, 2019 (€0.4 and €26 million as of December 31, 2018 and 2017, respectively). Practically all the deferred tax assets are related to temporary differences.
- The United States: Net deferred tax assets recognized in the United States amounted to 122 million as of December 31, 2019 (€164 and €180 as of December 31, 2018 and 2017, respectively). All the deferred tax assets relate to temporary differences.
- Turkey: Net deferred tax assets recognized in Turkey amounted to €278 million as of December 31, 2019 (€250 and €224 million as of December 31, 2018 and 2017 respectively). As of December 31, 2019, all the deferred tax assets correspond to €10 million of tax credits related to tax losses carry forwards and deductions and €268 million relate to temporary differences.

Based on the information available as of December 31, 2019, including historical levels of benefits and projected results available to the Group for the coming 15 years, it is considered that sufficient taxable income will be generated for the recovery of above mentioned unsecured deferred tax assets when they become deductible according to the tax laws.

On the other hand, the Group has not recognized certain deductible temporary differences, negative tax bases and deductions for which, in general, there is no legal period for offsetting, amounting to approximately € 2,207 million euros, which are mainly originated by Catalunya Banc.

20. Other assets and liabilities

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

Other assets and liabilities: (Millions of Euros)

	2019	2018	2017
Assets			
Inventories	581	635	229
Of which: Real estate	*579*	*633*	*226*
Transactions in progress	138	249	156
Accruals	804	702	768
Prepaid expense	573	465	509
Other prepayments and accrued income	231	237	259
Other items	2,277	3,886	3,207
Total other assets	**3,800**	**5,472**	**4,359**
Liabilities			
Transactions in progress	39	39	165
Accruals	2,456	2,558	2,490
Accrued expense	2,064	2,119	1,997
Other accrued expense and deferred income	392	439	493
Other items	1,247	1,704	1,894
Total other liabilities	**3,742**	**4,301**	**4,550**

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

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

Non-current assets and disposal groups classified as held for sale. Breakdown by items (Millions of Euros)

	2019	2018	2017
Foreclosures and recoveries (*)	1,647	2,211	6,207
Foreclosures	1,553	2,135	6,047
Recoveries from financial leases	94	76	160
Assets from tangible assets	310	433	447
Business sale - Assets (**)	1,716	29	18,623
Accrued amortization (***)	(51)	(44)	(77)
Impairment losses	(543)	(628)	(1,348)
Total non-current assets and disposal groups classified as held for sale	**3,079**	**2,001**	**23,853**

(*) Corresponds mainly to the agreement with Cerberus to transfer the "Real Estate" business in Spain in 2018 (see Note 3).

(**) The 2019 balance corresponds mainly to the BBVA´s stake in BBVA Paraguay and 2017 balance corresponds mainly to the BBVA´s stake in BBVA Chile sold in 2018 (see Note 3).

(***) Amortization accumulated until related asset reclassified as "non-current assets and disposal groups classified as held for sale".

The changes in the balances of "Non-current assets and disposal groups classified as held for sale" in 2019, 2018 and 2017 are as follows:

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

Non-current assets and disposal groups classified as held for sale. Changes in the year 2019 (Millions of Euros)

	Notes	Foreclosed assets: Foreclosed assets through auction proceeding	Foreclosed assets: Recovered assets from financial leases	From own use assets (*)	Other assets (**)	Total
Cost (1)						
Balance at the beginning		**2,135**	**76**	**389**	**29**	**2,629**
Additions		597	68	10	1,676	2,351
Contributions from merger transactions		2	-	-	-	2
Retirements (sales and other decreases)		(967)	(56)	(206)	-	(1,229)
Transfers, other movements and exchange differences		(214)	7	65	11	(131)
Balance at the end		**1,553**	**95**	**258**	**1,716**	**3,622**
Impairment (2)						
Balance at the beginning		**482**	**22**	**124**	**-**	**628**
Additions	50	66	6	5	-	77
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(160)	(4)	(22)	-	(186)
Other movements and exchange differences		(5)	4	25	-	24
Balance at the end		**383**	**28**	**132**	**-**	**543**
Balance at the end of net carrying value (1)-(2)		**1,170**	**67**	**126**	**1,716**	**3,079**

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

(**) The variation corresponds mainly to the agreement of the sale of BBVA Paraguay (see Note 3).

Non-current assets and disposal groups classified as held for sale. Changes in the year 2018 (Millions of Euros)

	Notes	Foreclosed assets: Foreclosed assets through auction proceeding	Foreclosed assets: Recovered assets from financial leases	From own use assets (*)	Other assets (**)	Total
Cost (1)						
Balance at the beginning		**6,047**	**160**	**371**	**18,623**	**25,201**
Additions		637	55	4	-	696
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(4,354)	(135)	(227)	(18,594)	(23,310)
Transfers, other movements and exchange differences		(195)	(4)	241	-	42
Balance at the end		**2,135**	**76**	**389**	**29**	**2,629**
Impairment (2)						
Balance at the beginning		**1,102**	**52**	**194**	**-**	**1,348**
Additions	50	195	11	2	-	208
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(793)	(37)	(101)	-	(931)
Other movements and exchange differences		(22)	(4)	29	-	3
Balance at the end		**482**	**22**	**124**	**-**	**628**
Balance at the end of net carrying value (1)-(2)		**1,653**	**54**	**265**	**29**	**2,001**

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

(**) The variation corresponds mainly to the BBVA’s stake in BBVA Chile and the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3).

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

Non-current assets and disposal groups classified as held for sale. Changes in the year 2017 (Millions of Euros)

	Notes	Foreclosed assets		From own use assets (*)	Other assets (**)	Total
		Foreclosed assets through auction proceeding	Recovered assets from financial leases			
Cost (1)						
Balance at the beginning		**4,057**	**168**	**1,065**	**40**	**5,330**
Additions		791	45	1	-	837
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(1,037)	(49)	(131)	-	(1,217)
Transfers, other movements and exchange differences		2,236	(4)	(564)	18,583	20,251
Balance at the end		**6,047**	**160**	**371**	**18,623**	**25,201**
Impairment (2)						
Balance at the beginning		**1,237**	**47**	**443**	**-**	**1,727**
Additions	50	143	14	1	-	158
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(272)	(7)	(42)	-	(321)
Other movements and exchange differences		(6)	(2)	(208)	-	(216)
Balance at the end		**1,102**	**52**	**194 -**		**1,348**
Balance at the end of net carrying value (1)-(2)		**4,945**	**108**	**177**	**18,623**	**23,853**

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

(**) The variation corresponds mainly to the BBVA's stake in BBVA Chile and the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3).

As indicated in Note 2.2.4, "Non-current assets and disposal groups held for sale" and "Liabilities included in disposal groups classified as held for sale" are valued at the lower amount between its fair value less costs to sell and its book value. As of December 31, 2019, practically all of the carrying amount of the assets recorded at fair value on a non-recurring basis coincides with their fair value.

Assets from foreclosures or recoveries

As of December 31, 2019, 2018 and 2017, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €871, €1,072 and €1,924 million in assets for residential use; €259, €182 and €491 million in assets for tertiary use (industrial, commercial or office) and €28 €19 and €29 million in assets for agricultural use, respectively.

In December 31, 2019, 2018 and 2017, the average sale time of assets from foreclosures or recoveries was between 2 and 3 years.

During the years 2019, 2018 and 2017, some of the sale transactions for these assets were financed by Group companies. The amount of loans to buyers of these assets in those years amounted to €79, €82 and €207 million, respectively; with an average financing of 27.5% of the sales price during 2019.

As of December 31, 2019, 2018 and 2017, the amount of the profits arising from the sale of Group companies financed assets - and therefore not recognized in the consolidated income statement - amounted to €1 million in each financial year.

22. Financial liabilities at amortized cost

22.1 Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of Euros)

	2019	2018	2017
Deposits	438,919	435,229	467,949
Deposits from central banks	25,950	27,281	37,054
Demand deposits	23	20	2,588
Time deposits	25,101	26,885	28,311
Repurchase agreements	826	375	6,155
Deposits from credit institutions	28,751	31,978	54,516
Demand deposits	7,161	8,370	3,731
Time deposits	18,896	19,015	25,941
Repurchase agreements	2,693	4,593	24,843
Customer deposits	384,219	375,970	376,379
Demand deposits	280,391	260,573	240,583
Time deposits	103,293	114,188	126,716
Repurchase agreements	535	1,209	9,079
Debt certificates	63,963	61,112	63,915
Other financial liabilities	13,758	12,844	11,850
Total	**516,641**	**509,185**	**543,713**

22.2 Deposits from credit institutions

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

Deposits from credit institutions. December 2019 (Millions of Euros)

	Demand deposits	Time deposits & other (*)	Repurchase agreements	Total
Spain	2,104	1,113	1	3,218
The United States	2,082	4,295	-	6,377
Mexico	432	1,033	168	1,634
Turkey	302	617	4	924
South America	394	2,285	161	2,840
Rest of Europe	1,652	5,180	2,358	9,190
Rest of the world	194	4,374	-	4,568
Total	**7,161**	**18,896**	**2,693**	**28,751**

(*) Subordinated deposits are included amounting €195 million.

Deposits from credit institutions. December 2018 (Millions of Euros)

	Demand deposits	Time deposits & other (*)	Repurchase agreements	Total
Spain	1,981	2,527	55	4,563
The United States	1,701	2,677	-	4,379
Mexico	280	286	-	566
Turkey	651	669	4	1,323
South America	442	1,892	-	2,335
Rest of Europe	3,108	6,903	4,534	14,545
Rest of the world	207	4,061	-	4,268
Total	**8,370**	**19,015**	**4,593**	**31,978**

(*) Subordinated deposits are included amounting €191 million.

Deposits from credit institutions. December 2017 (Millions of Euros)

	Demand deposits	Time deposits & other (*)	Repurchase agreements	Total
Spain	762	3,879	878	5,518
The United States	1,563	2,398	-	3,961
Mexico	282	330	1,817	2,429
Turkey	73	836	44	953
South America	448	2,538	13	2,999
Rest of Europe	526	12,592	21,732	34,849
Rest of the world	77	3,369	360	3,806
Total	**3,731**	**25,941**	**24,843**	**54,516**

(*) Subordinated deposits are included amounting €233 million.

22.3 Customer deposits

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

Customer deposits. December 2019 (Millions of Euros)

	Demand deposits	Time deposits & other (*)	Repurchase agreements	Total
Spain	146,651	24,958	2	171,611
The United States	46,372	19,810	-	66,181
Mexico	43,326	12,714	523	56,564
Turkey	13,775	22,257	10	36,042
South America	22,748	13,913	-	36,661
Rest of Europe	6,610	8,749	-	15,360
Rest of the world	909	892	-	1,801
Total	**280,391**	**103,293**	**535**	**384,219**

(*) Subordinated deposits are included amounting to €189 million.

Customer deposits. December 2018 (Millions of Euros)				
	Demand deposits	**Time deposits and other (*)**	**Repurchase agreements**	**Total**
Spain	138,236	28,165	3	166,403
The United States	41,222	21,317	-	62,539
Mexico	38,383	11,837	770	50,991
Turkey	10,856	22,564	7	33,427
South America	23,811	14,159	-	37,970
Rest of Europe	7,233	14,415	429	22,077
Rest of the world	831	1,731	-	2,563
Total	**260,573**	**114,188**	**1,209**	**375,970**

(*) Subordinated deposits are included amounting to €220 million.

Customer deposits. December 2017 (Millions of Euros)				
	Demand deposits	**Time deposits & other (*)**	**Repurchase agreements**	**Total**
Spain	123,382	39,513	2,664	165,559
The United States	36,728	21,436	-	58,164
Mexico	36,492	11,622	4,272	52,387
Turkey	12,427	24,237	152	36,815
South America	23,710	15,053	2	38,764
Rest of Europe	6,816	13,372	1,989	22,177
Rest of the world	1,028	1,484	-	2,511
Total	**240,583**	**126,716**	**9,079**	**376,379**

(*) Subordinated deposits are included amounting to €194 million.

22.4 Debt certificates

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

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

Debt certificates (Millions of Euros)

	2019	2018	2017
In Euros	**40,185**	**37,436**	**38,735**
Promissory bills and notes	737	267	1,309
Non-convertible bonds and debentures	12,248	9,638	9,418
Covered bonds (*)	15,542	15,809	16,425
Hybrid financial instruments	518	814	807
Securitization bonds	1,354	1,630	2,295
Wholesale funding	1,817	142	-
Subordinated liabilities	7,968	9,136	8,481
Convertible perpetual certificates	5,000	5,490	4,500
Convertible subordinated debt	-	-	-
Non-convertible preferred stock	83	107	107
Other non-convertible subordinated liabilities	2,885	3,540	3,875
In foreign currencies	**23,778**	**23,676**	**25,180**
Promissory bills and notes	1,210	3,237	3,157
Non-convertible bonds and debentures	10,587	9,335	11,109
Covered bonds (*)	362	569	650
Hybrid financial instruments	1,156	1,455	1,809
Securitization bonds	17	38	47
Wholesale funding	780	544	-
Subordinated liabilities	9,666	8,499	8,407
Convertible perpetual certificates	1,782	873	2,085
Convertible subordinated debt	-	-	-
Non-convertible preferred stock	76	74	55
Other non-convertible subordinated liabilities	7,808	7,552	6,268
Total	**63,963**	**61,112**	**63,915**

(*) Including mortgage-covered bonds (see Appendix X).

As of December 31, 2019, 71% of “Debt certificates” have fixed-interest rates and 29% have variable interest rates.

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

22.4.1. Subordinated liabilities

The breakdown of this heading, is as follows:

Memorandum item: Subordinated liabilities at amortized cost

	2019	2018
Subordinated deposits	384	411
Subordinated certificates	17,635	17,635
Preferred stock	159	181
Compound convertible financial instruments	6,782	6,363
Other non-convertible subordinated liabilities (*)	10,693	11,092
Total	**18,018**	**18,047**

(*) The €40 million subordinated issuances of BBVA Paraguay as of December 2019 are recorded in the heading "Liabilities included in disposal groups classified as held for sale".

The issuances of BBVA International Preferred, S.A.U., BBVA Global Finance, Ltd., Caixa Terrassa Societat de Participacions Preferents, S.A.U. and CaixaSabadell Preferents, S.A.U., are jointly, severally and irrevocably guaranteed by the Bank. The balance variances are mainly due to the following transactions:

Convertible perpetual liabilities

The AGM held on March 17, 2017, resolved, under agenda item five, to confer authority to the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the approval date of the authorization, up to a maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the AGM resolved to confer to the Board of Directors the authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or effectively carried out to cover the conversion of mandatory convertible issuances made under this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred by the AGM held on March 17, 2017, under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

Under that delegation, BBVA made the following issuances that qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation (EU) 575/2013:

- In May and November 2017, BBVA carried out both issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €500 million and $1,000 million, respectively. These issuances are listed in the Global Exchange Market of Euronext Dublin and were targeted only at qualified investors and foreign private banking clients, not being offered to, and not being subscribed for, in Spain or by Spanish residents.
- In September 2018 and March 2019, BBVA carried out both issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1,000 million each. These issuances are listed in the AIAF Fixed Income Securities Market and were targeted only at professional clients and eligible counterparties, and not being offered or sold to any retail clients.
- On September 5, 2019, BBVA carried out an issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of $1,000 million. This issuance is listed in the Global Exchange Market of Euronext Dublin and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents.

Additionally, other issuances:

- The additional issuances of perpetual contingent convertible securities (additional tier 1 instruments) with exclusion of pre-emptive subscription rights of shareholders were carried out, by virtue of other delegations conferred by the AGM, in February 2015 for an amount of €1.5 billion and in April 2016 for an amount of €1 billion. These issuances were targeted only at qualified investors and foreign private banking clients not being offered to, and not being subscribed for, in Spain or by Spanish residents. These issuances are listed in the Global Exchange Market of Euronext Dublin and qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation (EU) 575/2013.

These perpetual securities will be converted into newly issued ordinary shares of BBVA if the CET 1 ratio of the Bank or the Group is less than 5.125%, in accordance with their respective terms and conditions.

These issues may be fully redeemed at BBVA´s option only in the cases contemplated in their respective terms and conditions, and in any case, in accordance with the provisions of the applicable legislation. In particular:

- On May 9, 2018, the Bank early redeemed the issuance of preferred securities contingently convertible (additional tier 1 instrument) carried out by the Bank on May 9, 2013, for an amount of USD1.5 billion on the First Reset Date of the issuance and once the prior consent from the Regulator was obtained.
- On February 19, 2019 the Bank early redeemed the issuance of preferred securities contingently convertible (additional tier 1 instrument), carried out by the Bank on February 19, 2014, for a total amount of €1,5 billion and once the prior consent from the Regulator has been obtained.
- Additionally, on December 23, 2019, the Bank has notified its irrevocable decision to early redeem next February 18, 2020 the issuance of preferred securities contingently convertible (additional tier 1 instrument), carried out by the Bank on February 18, 2015, for a total amount of €1,5 billion and once the prior consent from the Regulator has been obtained.

Preferred securities

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

Preferred securities by issuer (Millions of Euros)	2019	2018	2017
BBVA International Preferred, S.A.U. (1)	37	35	36
Unnim Group (2)	83	98	98
BBVA USA	19	19	19
BBVA Colombia	20	19	1
Other	-	9	9
Total	**159**	**181**	**163**

(1) Listed on the London stock exchange.
(2) Unnim Group: Issuances prior to the acquisition by BBVA.

These issuances were fully subscribed at the moment of the issue by qualified/institutional investors outside the Group and are redeemable, totally or partially, at the issuer's option after five years from the issue date, depending on the terms of each issuance and with the prior consent from the Bank of Spain or the relevant authority.

Redemption of preferred securities

BBVA International Preferred, S.A.U. carried out the early redemption in full of its Series B preferred securities on March 20, 2017, for an outstanding amount of €164,350,000; on March 22, 2017, the early redemption in full of its Series A preferred securities for an outstanding amount of €85,550,000; and on April 18, 2017 the early redemption in full of its Series C preferred securities for an outstanding amount of USD 600,000,000, once the prior consent was obtained.

22.5 Other financial liabilities

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

Other financial liabilities (Millions of Euros)	2019	2018	2017
Lease liabilities (*)	3,335		
Creditors for other financial liabilities	2,623	2,891	2,835
Collection accounts	3,306	4,305	3,452
Creditors for other payment obligations	4,494	5,648	5,563
Total	**13,758**	**12,844**	**11,850**

(*) Lease liabilities are recognized after the implementation of IFRS 16 (see Note 2.1).

A breakdown of the maturity of the lease liabilities, due after December 31, 2019 is provided below:

Maturity of future payment obligations (Millions of Euros)	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Leases	269	500	535	2,031	3,335

23. Assets and liabilities under insurance and reinsurance contracts

The Group has insurance subsidiaries mainly in Spain and Latin America (mostly in Mexico). The main product offered by the insurance subsidiaries is life insurance to cover the risk of death (risk insurance) and life-savings insurance. Within life and accident insurance, a distinction is made between freely sold products and those offered to customers who have taken mortgage or consumer loans, which cover the principal of those loans in the event of the customer's death.

There are two types of savings products: individual insurance, which seeks to provide the customer with savings for retirement or other events, and group insurance, which is taken out by employers to cover their commitments to their employees.

The insurance business is affected by different risks, including those that are related to the BBVA Group such as credit risk, market risk, liquidity risk and operational risk and the methodology for risk measurement applied in the insurance activity is similar (see Note 7 and Management Report - Risk), although it has a differentiated management due to the particular characteristics of the insurance business, such as the coverage of contracted obligations and the long term of the commitments. Additionally, the insurance business generates certain specific risks, of a probabilistic nature:

- Technical risk: arises from deviations in the estimation of the casualty rate of insurances, either in terms of numbers, the amount of such claims and the timing of its occurrence.
- Biometric risk: depending on the deviations in the expected mortality behavior or the survival of the insured persons.

The insurance industry is highly regulated in each country. In this regard, it should be noted that the insurance industry is undergoing a gradual regulatory transformation through new risk-based capital regulations, which have already been published in several countries.

The heading "Assets under reinsurance and insurance contracts" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of December 31, 2019, 2018 and 2017, the balance under this heading amounted to €341, €366 million and €421 million respectively.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading "Liabilities under insurance and reinsurance contracts" in the accompanying consolidated balance sheets.

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

Technical reserves (Millions of Euros)

	2019	2018	2017
Mathematical reserves	9,247	8,504	7,961
Individual life insurance [(1)]	6,731	6,201	5,359
Savings	5,906	5,180	4,392
Risk	825	1,021	967
Group insurance [(2)]	2,517	2,303	2,601
Savings	2,334	2,210	2,455
Risk	182	93	147
Provision for unpaid claims reported	641	662	631
Provisions for unexpired risks and other provisions	718	668	631
Total	**10,606**	**9,834**	**9,223**

(1) Provides coverage in the event of death or disability.

(2) The insurance policies purchased by employers (other than BBVA Group) on behalf of its employees

The cash flows of those "Liabilities under insurance and reinsurance contracts" are shown below:

Maturity (Millions of euros). Liabilities under insurance and reinsurance contracts					
	Up to 1 year	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
2019	1,571	1,197	1,806	6,032	10,606
2018	1,686	1,041	1,822	5,285	9,834
2017	1,560	1,119	1,502	5,042	9,223

The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are actuarial and financial methods and modeling techniques approved by the respective country's insurance regulator or supervisor. The most important insurance entities are located in Spain and Mexico (which together account for approximately 85% of the insurance revenues), where the modeling methods and techniques are reviewed by the insurance regulator in Spain (General Directorate of Insurance) and Mexico (National Insurance and Bonding Commission), respectively. The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are compliant with IFRS and primarily involve the valuation of the estimated future cash flows, discounted at the technical interest rate for each policy. To ensure this technical interest rate, asset-liability management is carried out, acquiring a portfolio of securities that generate the cash flows needed to cover the payment commitments assumed with the customers.

The table below shows the key assumptions as of December 31, 2019, used in the calculation of the mathematical reserves for insurance products in Spain and Mexico, respectively:

Mathematical reserves				
	Mortality table		**Average technical interest type**	
	Spain	**Mexico**	**Spain**	**Mexico**
Individual life insurance (1)	GRMF 80-2, GKMF 80/95. PASEM, PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.25% -2.91%	2.50%
Group insurance(2)	PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%

(1) Provides coverage in the case of one or more of the following events: death and disability.

(2) Insurance policies purchased by companies (other than Group BBVA entities) on behalf of their employees.

24. Provisions

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

Provisions. Breakdown by concepts (Millions of Euros)				
	Notes	**2019**	**2018**	**2017**
Provisions for pensions and similar obligations	25	4,631	4,787	5,407
Other long term employee benefits	25	61	62	67
Provisions for taxes and other legal contingencies		677	686	756
Provisions for contingent risks and commitments		711	636	578
Other provisions (*)		457	601	669
Total		**6,538**	**6,772**	**7,477**

(*) Individually insignificant provisions or contingencies, for various concepts in different geographies.

The change in provisions for pensions and similar obligations for the years ended December 31, 2019, 2018, and 2017 is as follows:

Provisions for pensions and similar obligations. Changes over the year (Millions of Euros)

	Notes	2019	2018	2017
Balance at the beginning		**4,787**	**5,407**	**6,025**
Add				
Charges to income for the year		330	126	391
Interest expense and similar charges		65	78	71
Personnel expense	44.1	50	58	62
Provision expense		215	(10)	258
Charges to equity [(1)]	25	329	41	140
Transfers and other changes		(32)	95	(264)
Less				
Benefit payments	25	(718)	(779)	(861)
Employer contributions	25	(65)	(103)	(25)
Balance at the end		**4,631**	**4,787**	**5,407**

(1) Correspond to actuarial losses (gains) arising from certain defined-benefit post-employment pension commitments and other similar benefits recognized in "Equity" (see Note 2.2.12).

Provisions for taxes, legal contingencies and other provisions. Changes over the year (Millions of Euros)

	2019	2018	2017
Balance at beginning	**1,286**	**1,425**	**2,028**
Additions	396	455	868
Acquisition of subsidiaries	-	-	-
Unused amounts reversed during the year	(96)	(184)	(164)
Amount used and other variations	(453)	(410)	(1,306)
Balance at the end	**1,134**	**1,286**	**1,425**

Ongoing legal proceedings and litigation

The financial sector faces an environment of increasing regulatory and litigious pressure. In this environment, the different Group's entities are often parties to individual or collective legal proceedings arising from the ordinary activity of their businesses. In accordance with the procedural status of these proceedings and according to the criteria of the attorneys who manage them, BBVA considers that none of them is material, individually or in aggregate, and that no significant impact derives from them neither in the results of operations nor on liquidity, nor in the financial position at a consolidated level of the Group, as at the level of the standalone Bank. The Group Management considers that the provisions made in connection with these legal proceedings are adequate.

As mentioned in Note 7.5 Legal risk factors, the Group is subject or may be subject in the future to a series of legal and regulatory investigations, procedures and actions which, in case of a negative result, could have an adverse impact on the business, the financial situation and the results of the Group.

25. Post-employment and other employee benefit commitments

As stated in Note 2.2.12, the Group has assumed commitments with employees including short-term employee benefits (see Note 44.1), defined contribution and defined benefit plans (see Glossary), healthcare and other long-term employee benefits.

The Group sponsors defined-contribution plans for the majority of its active employees with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees with liabilities relating largely to retired employees, the most significant being those in Spain, Mexico, the United States and Turkey. In Mexico, the Group provides medical benefits to a closed group of employees and their family members, both active service and in retirees.

The breakdown of the net defined benefit liability recorded on the balance sheet as of December 31, 2019, 2018 and 2017 is provided below:

Net defined benefit liability (asset) on the consolidated balance sheet (Millions of Euros)	2019	2018	2017
Pension commitments	5,050	4,678	4,969
Early retirement commitments	1,486	1,793	2,210
Medical benefits commitments	1,580	1,114	1,204
Other long term employee benefits	61	62	67
Total commitments	**8,177**	**7,647**	**8,451**
Pension plan assets	1,961	1,694	1,892
Medical benefit plan assets	1,532	1,146	1,114
Total plan assets (1)	**3,493**	**2,840**	**3,006**
Total net liability / asset	**4,684**	**4,807**	**5,445**
Of which: Net asset on the consolidated balance sheet (2)	*(8)*	*(41)*	*(27)*
Of which: +Net liability on the consolidated balance sheet for provisions for pensions and similar obligations (3)	*4,631*	*4,787*	*5,407*
Of which: Net liability on the consolidated balance sheet for other long term employee benefits (4)	*61*	*62*	*67*

(1) In Turkey, the foundation responsible for managing the benefit commitments holds an additional asset of €252 million as of December 31, 2019 which, in accordance with IFRS regarding the asset ceiling, has not been recognized in the Consolidated Financial Statements, because although it could be used to reduce future pension contributions it could not be immediately refunded to the employer.

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

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

(4) Recorded under the heading "Provisions – Other long-term employee benefits" of the consolidated balance sheet (see Note 24).

The amounts relating to benefit commitments charged to consolidated income statement for the years 2019, 2018 and 2017 are as follows:

Consolidated income statement impact (Millions of Euros)	Notes	2019	2018	2017
Interest and similar expense		**65**	**78**	**71**
Interest expense		307	295	294
Interest income		(242)	(217)	(223)
Personnel expense		**163**	**147**	**149**
Defined contribution plan expense	44.1	113	89	87
Defined benefit plan expense	44.1	50	58	62
Provisions (net)	46	**214**	**125**	**343**
Early retirement expense		190	141	227
Past service cost expense		18	(33)	3
Remeasurements (*)		7	(10)	31
Other provision expense		(2)	28	82
Total impact on consolidated income statement: debit (credit)		**441**	**350**	**563**

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

The amounts relating to post-employment benefits charged to the consolidated balance sheet correspond to the actuarial gains (losses) on remeasurement of the net defined benefit liability relating to pension and medical commitments before income taxes. As of December 31, 2019, 2018 and 2017 are as follows:

Equity impact (Millions of Euros)

	2019	2018	2017
Defined benefit plans	254	81	(40)
Post-employment medical benefits	74	(47)	179
Total impact on equity: debit (credit)	**329**	**34**	**140**

25.1 Defined benefit plans

Defined benefit commitments relate mainly to employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. For the latter, the Group pays the required premiums to fully insure the related liability. The change in these pension commitments during the years ended December 31, 2019, 2018 and 2017 is presented below:

Defined benefits (Millions of Euros)

	2019			2018			2017		
	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)
Balance at the beginning	7,585	2,839	4,746	8,384	3,006	5,378	8,851	3,022	5,829
Current service cost	53	-	53	61	-	61	64	-	64
Interest income/expense	304	242	62	292	217	76	290	223	68
Contributions by plan participants	4	4	-	4	3	1	4	4	-
Employer contributions	-	65	(65)	-	103	(103)	-	25	(25)
Past service costs (1)	210	-	210	109	-	109	231	-	231
Remeasurements:	783	454	329	(263)	(286)	21	331	161	171
Return on plan assets (2)	-	454	(454)	-	(286)	286	-	161	(161)
From changes in demographic assumptions	(15)	-	(15)	14	-	14	100	-	100
From changes in financial assumptions	688	-	688	(274)	-	(274)	220	-	220
Other actuarial gain and losses	110	-	110	(3)	-	(3)	12	-	12
Benefit payments	(905)	(187)	(718)	(979)	(200)	(779)	(1,029)	(169)	(861)
Settlement payments	-	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	63	69	(6)	(31)	(9)	(22)	(278)	(258)	(19)
Conversions to defined contributions	-	-	-	-	-	-	(82)	-	(82)
Other effects	19	6	13	10	6	4	(1)	(1)	-
Balance at the end	8,116	3,493	4,623	7,585	2,840	4,745	8,384	3,006	5,378
Of which: Spain	4,592	266	4,326	4,807	260	4,547	5,442	320	5,122
Of which: Mexico	2,231	2,124	107	1,615	1,587	28	1,661	1,602	60
Of which: The United States	375	323	52	326	287	39	360	309	51
Of which: Turkey	444	359	86	422	339	83	520	424	96

(1) Including gains and losses arising from settlements.

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

The balance under the heading "Provisions - Pensions and other post-employment defined benefit obligations" of the accompanying consolidated balance sheet as of December 31, 2019 includes €351 million relating to post-employment benefit commitments to former members of the Board of Directors and the Bank's Management (see Note 54).

The most significant commitments are those in Spain and Mexico and, to a lesser extent, in the United States and Turkey. The remaining commitments are located mostly in Portugal and South America. Unless otherwise required by local regulation, all defined benefit plans have been closed to new entrants, who instead are able to participate in the Group´s defined contribution plans.

Both the costs and the present value of the commitments are determined by independent qualified actuaries using the "projected unit credit" method. In order to guarantee the good governance of these plans, the Group has established specific benefits committees. These benefit committees include members from the different areas of the business to ensure that all decisions are made taking into consideration all of the associated impacts.

The following table sets out the key actuarial assumptions used in the valuation of these commitments as of December 31, 2019, 2018 and 2017:

Actuarial assumptions (Millions of Euros)

	2019				2018				2017			
	Spain	Mexico	The United States	Turkey	Spain	Mexico	The United States	Turkey	Spain	Mexico	The United States	Turkey
Discount rate	0.68%	9.04%	3.24%	12.50%	1.28%	10.45%	4.23%	16.30%	1.24%	9.48%	3.57%	11.60%
Rate of salary increase	-	4.75%	-	9.70%	-	4.75%	-	14.00%	-	4.75%	-	9.90%
Rate of pension increase	-	2.47%	-	8.20%	-	2.51%	-	12.50%	-	2.13%	-	8.40%
Medical cost trend rate	-	7.00%	-	12.40%	-	7.00%	-	16.70%	-	7.00%	-	12.60%
Mortality tables	PERM/F 2000P	EMSSA09	RP 2014	CSO2001	PERM/F 2000P	EMSSA09	RP 2014	CSO2001	PERM/F 2000P	EMSSA09	RP 2014	CSO2001

In Spain, the discount rate shown as of December, 31, 2019, corresponds to the weighted average rate, the actual discount rates used are 0% and 1% depending on the type of commitment.

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

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

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

Changes in the main actuarial assumptions may affect the valuation of the commitments. The table below shows the sensitivity of the benefit obligations to changes in the key assumptions:

Sensitivity analysis (Millions of Euros)

	Basis points change	2019		2018	
		Increase	Decrease	Increase	Decrease
Discount rate	50	(367)	405	(298)	332
Rate of salary increase	50	3	(3)	3	(3)
Rate of pension increase	50	27	(26)	19	(18)
Medical cost trend rate	100	338	(266)	229	(181)
Change in obligation from each additional year of longevity	-	137	-	108	-

The sensitivities provided above have been determined at the date of these consolidated financial statements, and reflect solely the impact of changing one individual assumption at a time, keeping the rest of the assumptions unchanged, thereby excluding the effects which may result from combined assumption changes.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include long-service awards, which consist of either an established monetary award or some vacation days granted to certain groups of employees when they complete a given number of years of service. As of December 31, 2019, 2018 and 2017, the actuarial liabilities for the outstanding awards amounted to €61, €62 million and €67 million, respectively. These commitments are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying consolidated balance sheet (see Note 24).

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

25.1.1 Post-employment commitments and similar obligations

These commitments relate mostly to pension payments, and which have been determined based on salary and years of service. For most plans, pension payments are due on retirement, death and long term disability.

In addition, during the year 2019, Group entities in Spain offered certain employees the option to take retirement or early retirement (that is, earlier than the age stipulated in the collective labor agreement in force). This offer was accepted by 616 employees (489 and 731 during years 2018 and 2017, respectively). These commitments include the compensation and indemnities due as well as the contributions payable to external pension funds during the early retirement period. As of December 31, 2019, 2018 and 2017, the value of these commitments amounted to €1,486, €1,793 million and €2,210 million, respectively.

The change in the benefit plan obligations and plan assets during the year ended December 31, 2019 was as follows:

Post-employment commitments 2019 (Millions of Euros)

	Defined benefit obligation				
	Spain	Mexico	The United States	Turkey	Rest of the world
Balance at the beginning	**4,807**	**512**	**326**	**422**	**402**
Current service cost	4	4	1	20	3
Interest income or expense	45	53	14	64	11
Contributions by plan participants	-	-	-	3	1
Employer contributions	-	-	-	-	-
Past service costs (1)	190	15	-	3	2
Remeasurements:	298	99	44	(3)	49
Return on plan assets (2)	-	-	-	-	-
From changes in demographic assumptions	-	-	-	(13)	(2)
From changes in financial assumptions	239	87	42	(41)	52
Other actuarial gain and losses	59	12	2	51	(1)
Benefit payments	(766)	(50)	(15)	(21)	(14)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	32	6	(44)	1
Conversions to defined contributions	-	-	-	-	-
Other effects	14	-	(1)	-	6
Balance at the end	**4,592**	**664**	**375**	**444**	**460**
Of which: Vested benefit obligation relating to current employees	*86*				
Of which: Vested benefit obligation relating to retired employees	*4,506*				

(1) Including gains and losses arising from settlements.

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

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

Post-employment commitments 2019 (Millions of Euros)

	Plan assets				
	Spain	Mexico	The United States	Turkey	Rest of the world
Balance at the beginning	**260**	**441**	**287**	**339**	**366**
Current service cost	-	-	-	-	-
Interest income or expense	3	44	12	53	8
Contributions by plan participants	-	-	-	3	1
Employer contributions	-	47	3	14	1
Past service costs (1)	-	-	-	-	-
Remeasurements:	67	90	28	(5)	50
Return on plan assets (2)	67	90	28	(5)	50
From changes in demographic assumptions	-	-	-	-	-
From changes in financial assumptions	-	-	-	-	-
Other actuarial gains and losses	-	-	-	-	-
Benefit payments	(64)	(50)	(13)	(10)	(11)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	(7)	-	-	-
Effect on changes in foreign exchange rates	-	27	6	(34)	-
Conversions to defined contributions	-	-	-	-	-
Other effects	-	-	-	-	6
Balance at the end	**266**	**592**	**323**	**359**	**422**

(1) Including gains and losses arising from settlements.

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

Post-employment commitments 2019 (Millions of euros)

	Net liability (asset)				
	Spain	Mexico	The United States	Turkey	Rest of the world
Balance at the beginning	**4,547**	**71**	**39**	**83**	**36**
Current service cost	4	4	1	20	3
Interest income or expense	42	9	2	11	3
Contributions by plan participants	-	-	-	-	-
Employer contributions	-	(47)	(3)	(14)	(1)
Past service costs (1)	190	15	-	3	2
Remeasurements:	231	9	16	2	(1)
Return on plan assets (2)	(67)	(90)	(28)	5	(50)
From changes in demographic assumptions	-	-	-	(13)	(2)
From changes in financial assumptions	239	87	42	(41)	52
Other actuarial gain and losses	59	12	2	51	(1)
Benefit payments	(702)	(1)	(2)	(11)	(3)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	7	-	-	-
Effect on changes in foreign exchange rates	-	5	-	(9)	1
Conversions to defined contributions	-	-	-	-	-
Other effects	14	-	(1)	-	-
Balance at the end	**4,326**	**72**	**52**	**86**	**38**

(1) Including gains and losses arising from settlements.

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

The change in net liabilities (assets) during the years ended 2018 and 2017 was as follows:

Post-employment commitments (Millions of Euros)

	2018: Net liability (asset)					2017: Net liability (asset)				
	Spain	**Mexico**	**The United States**	**Turkey**	**Rest of the world**	**Spain**	**Mexico**	**The United States**	**Turkey**	**Rest of the world**
Balance at the beginning	5,122	(18)	51	96	36	5,799	(59)	46	99	43
Current service cost	4	5	-	21	4	4	5	3	21	5
Interest income or expense	59	(2)	2	8	2	73	(6)	1	9	2
Contributions by plan participants	-	-	-	-	1	-	-	-	-	-
Employer contributions	-	-	(2)	(13)	(18)	-	(1)	-	(16)	(8)
Past service costs (1)	148	(1)	-	2	2	235	1	-	4	3
Remeasurements:	(28)	88	(11)	3	14	(67)	38	9	12	(1)
Return on plan assets (2)	4	70	17	21	11	(21)	(10)	(11)	(101)	2
From changes in demographic assumptions	-	-	(1)	-	15	-	22	(2)	-	(3)
From changes in financial assumptions	-	(9)	(28)	(45)	(12)	(33)	18	22	81	4
Other actuarial gain and losses	(32)	27	1	29	-	(13)	7	-	32	(4)
Benefit payments	(763)	-	(2)	(11)	(3)	(842)	(1)	(2)	(11)	(3)
Settlement payments	-	-	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	-	(1)	2	(26)	(1)	-	5	(5)	(21)	(5)
Conversions to defined contributions	-	-	-	-	-	(82)	-	-	-	-
Other effects	5	-	(1)	-	-	2	-	(1)	-	(1)
Balance at the end	4,547	71	39	83	36	5,122	(18)	51	96	36

(1) Includes gains and losses from settlements.

(2) Excludes interest which is reflected in the line item "Interest income and expense".

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

In the Spanish entities these commitments are covered by insurance contracts which meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant number of the insurance contracts are with BBVA Seguros, S.A. – a consolidated subsidiary and related party – and consequently these policies cannot be considered plan assets under IAS 19. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other postemployment defined benefit obligations" of the accompanying consolidated balance sheet (see Note 24), while the related assets held by the insurance company are included within the Group´s consolidated assets (recorded according to the classification of the corresponding financial instruments). As of December 31, 2019 the value of these separate assets was €2,620 million, (€2,543 and €2,689 million as of December 31, 2018 and 2017, respectively) representing direct rights of the insured employees held in the consolidated balance sheet, hence these benefits are effectively fully funded.

On the other hand, some pension commitments have been funded through insurance contracts with insurance companies not related to the Group. In this case the accompanying consolidated balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2019, 2018 and 2017, the value of the aforementioned insurance policies (€266, €260 and €320 million, respectively) exactly match the value of the corresponding obligations and therefore no amount for this item has been recorded in the accompanying consolidated balance sheet.

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

In Mexico, there is a defined benefit plan for employees hired prior to 2001. Other employees participate in a defined contribution plan. External funds/trusts have been constituted locally to meet benefit payments as required by local regulation.

In the United States there are two defined benefit plans, closed to new employees, who instead are able to join a defined contribution plan. External funds/trusts have been constituted locally to fund the plans, as required by local regulation.

In 2008, the Turkish government passed a law to unify the different existing pension systems under a single umbrella Social Security system. Such system provides for the transfer of the various previously established funds.

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

The foundation that maintains the assets and liabilities relating to employees of Garanti in Turkey, as per the local regulatory requirements, has registered an obligation amounting to €286 million as of December 31, 2019 pending future transfer to the Social Security system.

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

25.1.2 Medical benefit commitments

The change in defined benefit obligations and plan assets during the years 2019, 2018 and 2017 was as follows:

Medical benefits commitments

	2019			2018			2017		
	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)
Balance at the beginning	1,114	1,146	(32)	1,204	1,114	91	1,015	1,113	(98)
Current service cost	21	-	21	27	-	27	26	-	26
Interest income or expense	119	123	(4)	116	109	8	101	112	(11)
Contributions by plan participants	-	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	71	(71)	-	-	-
Past service costs (1)	-	-	-	(42)	-	(42)	(11)	-	(11)
Remeasurements:	298	224	74	(210)	(164)	(47)	200	21	179
Return on plan assets (2)	-	224	(224)	-	(164)	164	-	21	(21)
From changes in demographic assumptions	-	-	-	-	-	-	83	-	83
From changes in financial assumptions	311	-	311	(182)	-	(182)	128	-	128
Other actuarial gain and losses	(13)	-	(13)	(28)	-	(28)	(10)	-	(10)
Benefit payments	(39)	(39)	(1)	(34)	(33)	(1)	(35)	(33)	(2)
Settlement payments	-	-	-	-	-	-	-	-	-
Business combinations and disposals	-	7	(7)	-	-	-	-	-	-
Effect on changes in foreign exchange rates	68	71	(2)	62	59	3	(92)	(100)	8
Other effects	(1)	-	(1)	(9)	(9)	(0)	-	-	-
Balance at the end	1,580	1,532	48	1,114	1,146	(32)	1,204	1,114	91

(1) Including gains and losses arising from settlements.

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

In Mexico, there is a medical benefit plan for employees hired prior to 2007. New employees from 2007 are covered by a medical insurance policy. An external trust has been constituted locally to fund the plan, in accordance with local legislation and Group policy.

In Turkey, employees are currently provided with medical benefits through a foundation in collaboration with the Social Security system, although local legislation prescribes the future unification of this and similar systems into the general Social Security system itself.

The valuation of these benefits and their accounting treatment follow the same methodology as that employed in the valuation of pension commitments.

25.1.3 Estimated benefit payments

As of December 31, 2019, the estimated benefit payments over the next ten years for all the entities in Spain, Mexico, the United States and Turkey are as follows:

Estimated benefit payments (Millions of Euros)

	2020	2021	2022	2023	2024	2025-2029
Commitments in Spain	621	544	449	360	288	903
Commitments in Mexico	106	110	117	125	132	808
Commitments in the United States	17	18	19	19	20	107
Commitments in Turkey	20	22	18	22	25	200
Total	**764**	**694**	**603**	**526**	**465**	**2,018**

25.1.4 Plan assets

The majority of the Group´s defined benefit plans are funded by plan assets held in external funds/trusts legally separate from the Group sponsoring entity. However, in accordance with local regulation, some commitments are not externally funded and covered through internally held provisions, principally those relating to early retirements.

Plan assets are those assets which will be used to directly settle the assumed commitments and which meet the following conditions: they are not part of the Group sponsoring entities assets, they are available only to pay post-employment benefits and they cannot be returned to the Group sponsoring entity.

To manage the assets associated with defined benefit plans, BBVA Group has established investment policies designed according to criteria of prudence and minimizing the financial risks associated with plan assets.

The investment policy consists of investing in a low risk and diversified portfolio of assets with maturities consistent with the term of the benefit obligation and which, together with contributions made to the plan, will be sufficient to meet benefit payments when due, thus mitigating the plans' risks.

In those countries where plan assets are held in pension funds or trusts, the investment policy is developed consistently with local regulation. When selecting specific assets, current market conditions, the risk profile of the assets and their future market outlook are all taken into consideration. In all the cases, the selection of assets takes into consideration the term of the benefit obligations as well as short-term liquidity requirements.

The risks associated with these commitments are those which give rise to a deficit in the plan assets. A deficit could arise from factors such as a fall in the market value of plan assets, an increase in long-term interest rates leading to a decrease in the fair value of fixed income securities, or a deterioration of the economy resulting in more write-downs and credit rating downgrades.

The table below shows the allocation of plan assets of the main companies of the BBVA Group as of December 31, 2019, 2018 and 2017:

Plan assets breakdown (Millions of Euros)

	2019	2018	2017
Cash or cash equivalents	56	26	68
Debt securities (government bonds)	2,668	2,080	2,178
Property	-	-	1
Mutual funds	2	2	1
Insurance contracts	142	132	4
Other investments	-	-	10
Total	**2,869**	**2,241**	**2,261**
Of which: Bank account in BBVA	*4*	*3*	*5*
Of which: Debt securities issued by BBVA	-	-	*3*
Of which: Property occupied by BBVA	-	-	-

In addition to the above there are plan assets relating to the previously mentioned insurance contracts in Spain and the foundation in Turkey.

The following table provides details of investments in listed securities (Level 1) as of December 31, 2019, 2018 and 2017:

Investments in listed markets

	2019	2018	2017
Cash or cash equivalents	56	26	68
Debt securities (Government bonds)	2,668	2,080	2,178
Mutual funds	2	2	1
Total	**2,727**	**2,109**	**2,247**
Of which: Bank account in BBVA	*4*	*3*	*5*
Of which: Debt securities issued by BBVA	-	-	*3*
Of which: Property occupied by BBVA	-	-	-

The remainders of the assets are mainly invested in Level 2 assets in in accordance with the classification established under IFRS 13 (mainly insurance contracts). As of December 31, 2019, almost all of the assets related to employee commitments corresponded to fixed income securities.

25.2 Defined contribution plans

Certain Group entities sponsor defined contribution plans. Some of these plans allow employees to make contributions which are then matched by the employer.

Contributions are recognized as and when they are accrued, with a charge to the consolidated income statement in the corresponding year. No liability is therefore recognized in the accompanying consolidated balance sheet (see Note 44.1).

26. Common stock

As of December 31, 2019, 2018 and 2017, BBVA's common stock amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entries. All of the Bank shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

The Bank's shares are traded on the stock markets of Madrid, Barcelona, Bilbao and Valencia through the *Sistema de Interconexión Bursátil Español (Mercado Continuo),* as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange.

Additionally, as of December 31, 2019, the shares of Banco BBVA Peru, S.A.; Banco Provincial, S.A.; Banco BBVA Colombia, S.A.; Banco BBVA Argentina, S.A. and Garanti BBVA A.S., were listed on their respective local stock markets. Banco BBVA Argentina, S.A. was also quoted in the Latin American market (Latibex) of the Madrid Stock Exchange and the New York Stock Exchange. Also, the Depositary Receipts ("DR") of Garanti BBVA, A.S. are listed in the London Stock Exchange

As of December 31, 2019, State Street Bank and Trust Co., The Bank of New York Mellon SA NV and Chase Nominees Ltd in their capacity as international custodian/depositary banks, held 11.68%, 2.03%, and 6.64% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On April 18, 2019, Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it had an indirect holding of BBVA common stock totaling 5.917%, of which 5.480% are voting rights attributed to shares and 0.437% are voting rights through financial instruments.

On February 3, 2020, Norges Bank reported to the Spanish Securities and Exchange Commission (CNMV) that it had an indirect holding of BBVA S.A. common stock totaling 3.066%, of which 3.051% are voting rights attributed to shares, and 0.015% are voting rights through financial instruments.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known that could give rise to changes in the control of the Bank.

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

Resolutions adopted by the Annual General Meeting

Capital increase

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

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

"Dividend Option" Program 2017:

Note 4 introduces the details of the remuneration system "Dividend Option".

Convertible and/or exchangeable securities:

Note 22.4 introduces the details of the convertible and/or exchangeable securities.

27. Share premium

As of December 31, 2019, 2018 and 2017, the balance under this heading in the accompanying consolidated balance sheets was €23,992 million.

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use (see Note 26).

28. Retained earnings, revaluation reserves and other reserves

28.1 Breakdown of the balance

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

Retained earnings, revaluation reserves and other reserves. Breakdown by concepts (Millions of Euros)

	2019	2018	2017
Legal reserve	653	653	644
Restricted reserve	124	133	159
Reserves for regularizations and balance revaluations	-	3	12
Voluntary reserves	8,331	8,010	8,643
Total reserves holding company (*)	**9,108**	**8,799**	**9,458**
Consolidation reserves attributed to the Bank and dependent consolidated companies	17,169	14,222	14,266
Total	**26,277**	**23,021**	**23,724**

(*) Total reserves of BBVA, S.A. (See Appendix IX).

28.2 Legal reserve

Under the amended Spanish Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. The transfer must be made until the legal reserve reaches 20% of the common stock.

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

28.3 Restricted reserves

As of December 31, 2019, 2018 and 2017, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)

	2019	2018	2017
Restricted reserve for retired capital	88	88	88
Restricted reserve for parent company shares and loans for those shares	34	44	69
Restricted reserve for redenomination of capital in euros	2	2	2
Total	**124**	**133**	**159**

The restricted reserve for retired capital resulted from the reduction of the nominal par value of the BBVA shares made in April 2000.

The second heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the parent company shares.

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

28.4 Retained earnings, Revaluation reserves and Other reserves by entity

The breakdown, by company or corporate group, under the headings "Retained earnings", "Revaluation reserves" and "other reserves" in the accompanying consolidated balance sheets is as follows:

Retained earnings, revaluation reserves and other reserves. Breakdown by concepts (Millions of Euros)

	2019	2018	2017
Retained earnings (losses) and revaluation reserves			
Holding Company	16,623	14,701	15,759
BBVA Mexico Group	10,645	10,014	9,442
Garanti BBVA Group	1,985	1,415	751
BBVA Colombia Group	1,130	998	926
Corporación General Financiera S.A.	932	1,084	1,202
BBVA Perú Group	848	756	681
BBV América, S.L.	247	217	195
Catalunyacaixa Inmobiliaria, S.A.	225	233	11
BBVA Chile Group	597	552	951
BBVA Paraguay	130	119	108
Bilbao Vizcaya Holding, S.A.	62	49	(73)
Compañía de Cartera e Inversiones, S.A.	47	108	(20)
Gran Jorge Juan, S.A.	27	(33)	(47)
Banco Industrial de Bilbao, S.A.	(13)	-	25
BBVA Luxinvest, S.A.	(48)	(48)	25
Pecri Inversión S.L.	(50)	(74)	(76)
BBVA Suiza, S.A.	(52)	(53)	(57)
BBVA Portugal Group	(59)	(66)	(436)
BBVA Seguros, S.A.	(99)	(127)	(215)
BBVA Venezuela Group	(125)	(124)	(113)
Grupo BBVA USA Bancshares	(317)	(586)	(794)
BBVA Argentina Group	35	103	999
Anida Grupo Inmobiliario, S.L.	(587)	363	515
Unnim Real Estate	(594)	(587)	(576)
Anida Operaciones Singulares, S.L.	(5,375)	(5,317)	(4,881)
Other	188	(618)	(544)
Subtotal	**26,402**	**23,079**	**23,758**
Other reserves or accumulated losses of investments in joint ventures and associates			
Metrovacesa, S.A.	(75)	(61)	(53)
ATOM Bank PLC	(56)	(28)	(12)
Other	6	31	30
Subtotal	**(125)**	**(58)**	**(35)**
Total	**26,277**	**23,021**	**23,724**

For the purpose of allocating the reserves and accumulated losses to the consolidated entities and to the parent company, the transfers of reserves arising from the dividends paid and transactions between these entities are taken into account in the period in which they took place.

29. Treasury shares

In the years ended December 31, 2019, 2018 and 2017 the Group entities performed the following transactions with shares issued by the Bank:

Treasury shares (Millions of euros)

	2019		2018		2017	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	**47,257,691**	**296**	**13,339,582**	**96**	**7,230,787**	**48**
+ Purchases	214,925,699	1,088	279,903,844	1,683	238,065,297	1,674
- Sales and other changes	(249,566,201)	(1,298)	(245,985,735)	(1,505)	(231,956,502)	(1,622)
+/- Derivatives on BBVA shares	-	(23)	-	23	-	(4)
+/- Other changes	-	-	-	-	-	-
Balance at the end	**12,617,189**	**62**	**47,257,691**	**296**	**13,339,582**	**96**
Of which:	-	-	-	-	-	-
Held by BBVA, S.A.	-	-	-	-	-	-
Held by Corporación General Financiera, S.A.	*12,617,189*	*62*	*47,257,691*	*296*	*13,339,582*	*96*
Held by other subsidiaries	-	-	-	-	-	-
Average purchase price in Euros	5.06	-	6.11	-	7.03	-
Average selling price in Euros	5.20	-	6.25	-	6.99	-
Net gain or losses on transactions (Shareholders' funds-Reserves)		13		(24)		1

The percentages of treasury shares held by the Group in the years ended December 31, 2019, 2018 and 2017 are as follows:

Treasury Stock

	2019			2018			2017		
	Min	Max	Closing	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.138%	0.746%	0.213%	0.200%	0.850%	0.709%	0.004%	0.278%	0.200%

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2019, 2018 and 2017 is as follows:

Shares of BBVA accepted in pledge

	2019	2018	2017
Number of shares in pledge	43,018,382	61,632,832	64,633,003
Nominal value	0.49	0.49	0.49
% of share capital	0.65%	0.92%	0.97%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2019, 2018 and 2017 is as follows:

Shares of BBVA owned by third parties but managed by the Group

	2019	2018	2017
Number of shares owned by third parties	23,807,398	25,306,229	34,597,310
Nominal value	0.49	0.49	0.49
% of share capital	0.36%	0.38%	0.52%

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

30. Accumulated other comprehensive income (loss)

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

Accumulated other comprehensive income (Millions of Euros)

	Notes	2019	2018	2017(*)
Items that will not be reclassified to profit or loss		**(1,875)**	**(1,284)**	**(1,183)**
Actuarial gains (losses) on defined benefit pension plans		(1,498)	(1,245)	(1,183)
Non-current assets and disposal groups classified as held for sale		2	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	13.4	(403)	(155)	
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-	
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		24	116	
Items that may be reclassified to profit or loss		**(5,359)**	**(5,932)**	**(5,755)**
Hedge of net investments in foreign operations (effective portion)		(896)	(218)	1
Foreign currency translation		(6,161)	(6,643)	(7,297)
Hedging derivatives. Cash flow hedges (effective portion)		(44)	(6)	(34)
Financial assets available for sale				1,641
Fair value changes of debt instruments measured at fair value through other comprehensive income	13.4	1,760	943	
Hedging instruments (non-designated items)		-	-	-
Non-current assets and disposal groups classified as held for sale		(18)	1	(26)
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		1	(9)	(40)
Total		**(7,235)**	**(7,215)**	**(6,939)**

(*) See Note 1.3

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

31. Non-controlling interest

The table below is a breakdown by groups of consolidated entities of the balance under the heading "Minority interests (non-controlling interest)" of total equity in the accompanying consolidated balance sheets is as follows:

Non-controlling interests: breakdown by subgroups (Millions of Euros)

	2019	2018	2017
Garanti BBVA	4,240	4,058	4,903
BBVA Peru	1,334	1,167	1,059
BBVA Argentina	422	352	420
BBVA Colombia	76	67	65
BBVA Venezuela	71	67	78
Other entities	57	53	454
Total	**6,201**	**5,764**	**6,979**

These amounts are broken down by groups of consolidated entities under the heading "Attributable to minority interests (non-controlling interest)" in the accompanying consolidated income statements:

Profit attributable to non-controlling interests (Millions of Euros)	2019	2018	2017
Garanti BBVA	524	585	883
BBVA Peru	236	227	208
BBVA Argentina	60	(18)	93
BBVA Colombia	11	9	7
BBVA Venezuela	(1)	(5)	(2)
Other entities	4	30	55
Total	**833**	**827**	**1,243**

Dividends distributed to non-controlling interest of the Group during the year 2019 are: BBVA Peru Group €115 million, BBVA Argentina Group €16 million, BBVA Colombia Group €3 million, and other Group entities accounted for €8 million.

32. Capital base and capital management

32.1 Capital base

As of December 31, 2019, 2018 and 2017, equity is calculated in accordance to the applicable regulation of each year on minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated group– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

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

With regard to BBVA, after the supervisory review and evaluation process ("SREP") carried out by the ECB, the Group has received the communication to maintain, from January, 1, 2020 on a consolidated basis, a CET1 capital ratio of 9.27% and a total capital ratio of 12.77%.

This total capital requirement at consolidated level includes: i) a Pillar 1 requirement of 8% that should be fulfilled by a minimum of 4.5% of CET1; ii) a Pillar 2 requirement of 1.5% of CET1 that remains at the same level as the one included in the previous SREP decision; iii) a Capital Conservation buffer of 2.5% of CET1; iv) the Other Systemic Important Institution buffer (OSII) of 0.75% of CET1; and v) the Countercyclical Capital buffer 0.02% of CET1.

The ECB Pillar 2 requirement remains at the same level as the one established in the last SREP decision, being the sole difference the evolution of the Countercyclical Capital buffer of 0.01% approximately.

A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2019, 2018 and 2017 is shown below:

Eligible capital resources (Millions of Euros)

	Notes	2019 (*)	2018	2017
Capital	26	3,267	3,267	3,267
Share premium	27	23,992	23,992	23,992
Retained earnings, revaluation reserves and other reserves	28	26,277	23,021	23,724
Other equity instruments, net		56	50	54
Treasury shares	29	(62)	(296)	(96)
Attributable to the parent company	6	3,512	5,400	3,514
Attributable dividend		(1,084)	(1,109)	(1,172)
Total equity		**55,958**	**54,326**	**53,283**
Accumulated other comprehensive income	30	(7,235)	(7,215)	(6,939)
Non-controlling interest	31	6,201	5,764	6,979
Shareholders' equity		**54,925**	**52,874**	**53,323**
Goodwill and other intangible assets		(6,803)	(8,199)	(6,627)
Direct and synthetic treasury shares		(422)	(135)	(182)
Deductions		**(7,225)**	**(8,334)**	**(6,809)**
Temporary CET 1 adjustments		-	-	(273)
Capital gains from the Available-for-sale debt instruments portfolio		-	-	*(256)*
Capital gains from the Available-for-sale equity portfolio		-	-	*(17)*
Differences from solvency and accounting level		(215)	(176)	(189)
Equity not eligible at solvency level		**(215)**	**(176)**	**(462)**
Other adjustments and deductions (1)		**(3,832)**	**(4,049)**	**(3,711)**
Common Equity Tier 1 (CET 1)		**43,653**	**40,313**	**42,341**
Additional Tier 1 before Regulatory Adjustments		**6,048**	**5,634**	**6,296**
Total Regulatory Adjustments of Additional Tier 1		**-**	**-**	**(1,657)**
Tier 1		**49,701**	**45,947**	**46,980**
Tier 2		**8,324**	**8,756**	**8,798**
Total Capital (Total Capital=Tier 1 + Tier 2)		**58,025**	**54,703**	**55,778**
		-	-	-
Total Minimum equity required		**46,540**	**41,576**	**40,370**

(*) Provisional data.

(1) Other adjustments and deductions includes the amount of minority interest not eligible as capital, amount of dividends not distributed and other deductions and filters set by the CRR.

The Group's bank capital in accordance with the aforementioned applicable regulation as of December 31, 2019, 2018 and 2017 is shown below:

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

Amount of capital CC1 (Millions of Euros)

	2019 (*)	2018	2017
Capital and share premium	27,259	27,259	27,259
Retained earnings and equity instruments	26,960	23,773	23,791
Other accumulated income and other reserves	(7,157)	(7,143)	(6,863)
Minority interests	4,404	3,809	5,446
Net interim attributable profit	1,316	3,188	1,302
Ordinary Tier 1 (CET 1) before other reglamentary adjustments	**52,783**	**50,887**	**50,935**
Goodwill and intangible assets	(6,803)	(8,199)	(6,627)
Direct and indirect holdings in equity	(484)	(432)	(278)
Deferred tax assets	(1,420)	(1,260)	(755)
Other deductions and filters	(423)	(682)	(933)
Total common equity Tier 1 reglamentary adjustments	**(9,130)**	**(10,573)**	**(8,594)**
Common equity TIER 1 (CET1)	**43,653**	**40,313**	**42,341**
Equity instruments and share premium classified as liabilities	5,400	5,005	5,893
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	648	629	403
Additional Tier 1 (CET 1) before regulatory adjustments	**6,048**	**5,634**	**6,296**
Temporary CET 1 adjustments	-	-	(1,657)
Total regulatory adjustments of additional equity I Tier 1	**-**	**-**	**(1,657)**
Additional equity Tier 1 (AT1)	**6,048**	**5,634**	**4,639**
Tier 1 (Common equity TIER 1+ additional TIER 1)	**49,701**	**45,947**	**46,980**
Equity instruments and share premium accounted as Tier 2	3,064	3,768	1,759
Eligible equity instruments	4,711	4,409	6,438
Credit risk adjustments	550	579	601
Tier 2 before regulatory adjustments	**8,324**	**8,756**	**8,798**
Tier 2 reglamentary adjustments	**-**	**-**	**-**
Tier 2	**8,324**	**8,756**	**8,798**
Total capital (Total capital=Tier 1 + Tier 2)	**58,025**	**54,703**	**55,778**
Total RWA's	**364,448**	**348,264**	**362,875**
CET 1 (phased-in)	12.0%	11.6%	11.7%
Tier 1 (phased-in)	13.6%	13.2%	12.9%
Total capital (phased-in)	15.9%	15.7%	15.4%

(*) Provisional data.

As of December 2019 Common Equity Tier 1 (CET1) phased-in ratio[1] stood at 11.98% (fully-loaded ratio of 11.74%), including the impact of IFRS 16 standard's implementation that entered into force on January 1st, 2019 (-11 basis points). Compared to December 2018, the ratio increased by +40 basis points supported by the profit generation, net of dividend payments and remuneration of contingent convertible capital instruments (CoCos), notwithstanding the moderate growth of risk-weighted assets.

In addition, the impairment of the goodwill in the United States CGU recognized by the Group amounting to €1,318 million has no impact on the regulatory own funds (see Note 18.1).

Risk-weighted assets (RWAs) increased by approximately € 16,100 million in 2019 as a result of activity growth, mainly in emerging markets and the incorporation of regulatory impacts (the application of IFRS 16 standard and TRIM - Targeted Review of Internal Models) for approximately € 7,600 million (impact on the CET1 ratio of -25 basis points). It should be noted that during the second quarter of the year the recognition by the European Commission[1] of Argentina as a country whose supervisory and regulatory requirements[2] are considered equivalent had a positive effect on the evolution of the RWAs.

The Additional tier 1 capital (AT1) phased-in ratio stood at 1.66% as of December 31st, 2019. In this regard, BBVA S.A. carried out an issue of €1,000 million CoCos, registered at the Spanish Securities Market Commission (CNMV) and another issue of the same type of instruments, registered in the Securities and Exchange Commission ("SEC") for USD 1,000 million.

[1] This CET1 phased-in ratio includes the impact of the initial implementation of IFRS9. In this context, the European Commission and Parliament have established temporary arrangements that are voluntary for the institutions, adapting the impact of IFRS9 on capital ratios. BBVA has informed the supervisory board its adherence to these arrangements.

[2] On April 1, 2019, the Official Journal of the European Union published Commission Implementing Decision (EU) 2019/536, which includes Argentina within the list of third countries and territories whose supervisory and regulatory requirements are considered equivalent for the purposes of the treatment of exposures in accordance with Regulation (EU) No. 575/2013.

On the other hand, in February 2020 the CoCos issuance of € 1,500 million issued in February 2015 will be amortized. As of December 31st, 2019, it is no longer included in the capital ratios.

Finally, in terms of issues eligible as Tier 2 capital, BBVA S.A. issued a € 750 million subordinated debt and carried out the early redemption of two subordinated-debt issues; one for €1,500 million redeemed in April 2019, and another issued in June 2009 by Caixa d'Estalvis de Sabadell with an outstanding nominal amount of €4.9 million and redeemed in June 2019.

With regard to the subsidiaries of the Group, BBVA Mexico carried out a Tier 2 issuance of USD 750 million and partially repurchased two subordinated debt issuances ($250 million due in 2020 and $500 million due in 2021). Meanwhile, Garanti BBVA issued another Tier 2 issuance of TRY 253 million.

All of this, together with the evolution of the remaining elements eligible as Tier 2 capital, set the Tier 2 phased in ratio at 2.28% as of December 31st, 2019. In addition, in January 2020, BBVA, S.A. issued €1,000 million of Tier 2 eligible subordinated debt. This issue will be included in the capital ratios for the first quarter of 2020 with an estimated impact of approximately +27 basis points on the T2 capital ratio.

These levels are above the requirements established by the supervisor in its SREP letter applicable in 2019, also above the applicable requirements from January, 1st. 2020.

In November 2019, BBVA received a new communication from the Bank of Spain regarding its minimum requirement for own funds and eligible liabilities (MREL), as determined by the Single Resolution Board, that was calculated taking into account the financial and supervisory information as of December 31, 2017.

In accordance with such communication, BBVA has to reach, by January 1, 2021, an amount of own funds and eligible liabilities equal to 15.16% of the total liabilities and own funds of its resolution group, on sub-consolidated basis (the MREL requirement). Within this MREL, an amount equal to 8.01% of the total liabilities and own funds shall be met with subordinated instruments (the subordination requirement), once the relevant allowance is applied.

This MREL requirement is equal to 28.50% in terms of risk-weighted assets (RWAs), while the subordination requirement included in the MREL requirement is equal to 15.05% in terms of RWAs, once the relevant allowance has been applied.

In order to comply with this requirement, BBVA has continued its issuance program during 2019 by closing three public senior non-preferred debt, for a total of € 3,000 million, of which one in green bonds by € 1,000 million. In addition, BBVA issued a senior preferred debt of € 1,000 million.

The Group estimates that the current own funds and eligible liabilities structure of the resolution group meets the MREL requirement, as well as with new subordination requirement.

32.2 Leverage ratio

The leverage ratio (LR) is a regulatory measure complementing capital designed to guarantee the soundness and financial strength of institutions in terms of indebtedness. This measurement can be used to estimate the percentage of the assets and off-balance sheet arrangements financed with Tier 1 capital, the carrying amount of the assets used in this ratio is adjusted to reflect the bank's current or potential leverage with a given balance-sheet position (Leverage ratio exposure).

Breakdown of capital base as of December 31, 2019, 2018 and 2017, calculated according to CCR, is as follows:

Capital Base

	2019 (*)	2018	2017
Tier 1 (millions of euros) (a)	49,701	45,947	46,980
Exposure (millions of euros) (b)	724,803	705,299	709,758
Leverage ratio (a)/(b) (percentage)	6.86%	6.51%	6.62%

(*) Provisional data.

32.3 Capital management

Capital management in the BBVA Group has a twofold aim:

- Maintain a level of capitalization according to the business objectives in all countries in which it operates and, simultaneously,
- Maximize the return on shareholders' funds through the efficient allocation of capital to the different units, a good management of the balance sheet and appropriate use of the various instruments forming the basis of the Group's equity: shares, preferred securities and subordinated debt.

This capital management is carried out determining the capital base and the solvency ratios established by the prudential and minimum capital requirements also have to be met for the entities subject to prudential supervision in each country.

The current regulation allows each entity to apply its own internal ratings-based (IRB) approach to risk assessment and capital management, subject to Bank of Spain approval. The BBVA Group carries out an integrated management of these risks in accordance with its internal policies and its internal capital estimation model has received the Bank of Spain's approval for certain portfolios (see Note 7).

33. Commitments and guarantees given

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

Commitments and guarantees given (Millions of Euros)

	Notes	2019	2018	2017
Loan commitments given	7.1.2	**130,923**	**118,959**	**94,268**
Of which: defaulted		*270*	*247*	*537*
Central banks		-	-	*1*
General governments		*3,117*	*2,318*	*2,198*
Credit institutions		*11,742*	*9,635*	*946*
Other financial corporations		*4,578*	*5,664*	*3,795*
Non-financial corporations		*65,475*	*58,405*	*58,133*
Households		*46,011*	*42,936*	*29,195*
Financial guarantees given (*)	7.1.2	**10,984**	**16,454**	**16,545**
Of which: defaulted		*224*	*332*	*278*
Central banks		*0*	*2*	-
General governments		*125*	*159*	*248*
Credit institutions		*995*	*1,274*	*1,158*
Other financial corporations		*583*	*730*	*3,105*
Non-financial corporations		*8,986*	*13,970*	*11,518*
Households		*295*	*319*	*516*
Other commitments given	7.1.2	**39,209**	**35,098**	**45,738**
Of which: defaulted		*506*	*408*	*461*
Central banks		*1*	*1*	*7*
General governments		*521*	*248*	*227*
Credit institutions		*5,952*	*5,875*	*15,330*
Other financial corporations		*2,902*	*2,990*	*3,820*
Non-financial corporations		*29,682*	*25,723*	*25,992*
Households		*151*	*261*	*362*
Total commitments and guarantees given	**7.1.2**	**181,116**	**170,511**	**156,551**

(*) Non-performing financial guarantees given amounted to €730, €740 and €739 million, respectively, as of December 31, 2019, 2018 and 2017.

As of December 31, 2019, the provisions for loan commitments given, financial guarantees given and other commitments given, recorded in the consolidated balance sheet amounted €341 million, €219 million and €151 million, respectively.

Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered to be the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

In the years 2019, 2018 and 2017, no issuance of debt securities carried out by associates of the BBVA Group, joint venture entities or non-Group entities have been guaranteed,

34. Other contingent assets and liabilities

As of December, 2019, 2018 and 2017 there were no material contingent assets or liabilities other than those disclosed in the accompanying Notes to the consolidated financial statements.

35. Purchase and sale commitments and future payment obligations

The breakdown of purchase and sale commitments of the BBVA Group as of December 31, 2019, 2018 and 2017 is as follows:

Purchase and sale commitments (Millions of Euros)

	Notes	2019	2018	2017
Financial instruments sold with repurchase commitments		**45,956**	**42,993**	**40,077**
Financial liabilities held for trading		41,902	36,815	-
Central banks	10	7,635	10,511	-
Credit institutions	10	24,578	14,839	-
Customer deposits	10	9,689	11,466	-
Financial liabilities at amortized cost		4,054	6,178	40,077
Central banks	22	826	375	6,155
Credit institutions	22	2,693	4,593	24,843
Customer deposits	22	535	1,209	9,079
Financial instruments purchased with resale commitments		**35,784**	**28,034**	**26,368**
Financial assets held for trading		33,941	27,262	-
Central banks	10	535	2,163	-
Credit institutions	10	21,219	13,305	-
Loans and advances to customers	10	12,187	11,794	-
Financial assets at amortized cost		1,843	772	26,368
Central banks		-	-	305
Credit institutions	14	1,817	478	13,861
Loans and advances to customers		26	294	12,202

A breakdown of the maturity of other payment obligations, not included in previous notes, due after December 31, 2019 is provided below:

Maturity of future payment obligations (Millions of Euros)

	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Purchase commitments	23	-	-	-	23
Technology and systems projects	4	-	-	-	4
Other projects	19	-	-	-	19
Total	**23**	**-**	**-**	**-**	**23**

36. Transactions on behalf of third parties

As of December 31, 2019, 2018 and 2017 the details of the relevant transactions on behalf of third parties are as follows:

Transactions on behalf of third parties. Breakdown by concepts (Millions of Euros)

	2019	2018	2017
Financial instruments entrusted to BBVA by third parties	693,377	628,417	624,822
Conditional bills and other securities received for collection	13,133	13,484	14,775
Securities lending	7,129	4,866	5,485
Total	**713,639**	**646,768**	**645,081**

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

37. Net interest income

37.1 Interest and similar income

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

Interest and similar income. Breakdown by origin (Millions of Euros)

	2019	2018	2017
Financial assets held for trading	2,041	2,057	1,306
Financial assets designated at fair value through profit or loss	159	148	73
Financial assets at fair value through other comprehensive income	1,815	1,846	1,485
Financial assets at amortized cost	25,698	24,572	24,485
Insurance activity	1,079	1,141	1,058
Adjustments of income as a result of hedging transactions	(74)	(201)	415
Other income	343	268	474
Total	**31,061**	**29,831**	**29,296**

The amounts recognized in consolidated equity in connection with hedging derivatives for the years ended December 31, 2019, 2018 and 2017 and the amounts derecognized from the consolidated equity and taken to the consolidated income statements during those years are included in the accompanying "Consolidated statements of recognized income and expenses".

37.2 Interest expense

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

Interest expense. Breakdown by origin (Millions of Euros)

	2019	2018	2017
Financial liabilities held for trading	1,230	1,211	87
Financial liabilities designated at fair value through profit or loss	6	41	-
Financial liabilities at amortized cost (*)	10,805	10,321	9,729
Adjustments of expense as a result of hedging transactions	(246)	(352)	665
Insurance activity	753	832	732
Cost attributable to pension funds	86	73	79
Other expense	224	113	245
Total	**12,859**	**12,239**	**11,537**

(*) Includes €114 million as of December 31, 2019 corresponding to interest expense on leases (see Note 22.5).

38. Dividend income

The balances for this heading in the accompanying consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 39), as can be seen in the breakdown below:

Dividend income (Millions of Euros)

	2019	2018	2017
Dividends from:			
Non-trading financial assets mandatorily at fair value through profit or loss	26	19	145
Financial assets at fair value through other comprehensive income	136	138	188
Total	**162**	**157**	**334**

39. Share of profit or loss of entities accounted for using the equity method

Results from "Share of profit or loss of entities accounted for using the equity method" resulted in a negative impact of €42 million as of December 31, 2019, compared with the negative impact of €7 and the positive impact of €4 million recorded as of December 31, 2018 and 2017, respectively.

40. Fee and commission income and expense

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

Fee and commission income (Millions of Euros)

	2019	2018	2017
Bills receivables	39	39	46
Demand accounts	526	451	507
Credit and debit cards and TPVs	3,083	2,900	2,834
Checks	203	194	212
Transfers and other payment orders	735	689	648
Insurance product commissions	172	178	200
Loan commitments given	222	223	231
Other commitments and financial guarantees given	392	390	396
Asset management	1,066	1,023	923
Securities fees	319	325	385
Custody securities	123	122	122
Other fees and commissions	642	598	645
Total	**7,522**	**7,132**	**7,150**

The breakdown of fee and commission expense under these heading in the accompanying consolidated income statements is as follows:

Fee and commission expense (Millions of Euros)

	2019	2018	2017
Demand accounts	36	39	45
Credit and debit cards	1,662	1,502	1,458
Transfers and other payment orders	150	96	123
Commissions for selling insurance	54	48	60
Custody securities	30	29	38
Other fees and commissions	557	539	506
Total	**2,489**	**2,253**	**2,229**

41. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net

The breakdown of the balance under this heading, by source of the related items, in the accompanying consolidated income statement is as follows:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)

	2019	2018	2017
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	239	216	985
Financial assets at amortized cost	65	51	133
Other financial assets and liabilities	173	164	852
Gains (losses) on financial assets and liabilities held for trading, net	451	707	218
Reclassification of financial assets from fair value through other comprehensive income	-	-	
Reclassification of financial assets from amortized cost	-	-	
Other gains (losses)	451	707	
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	143	96	
Reclassification of financial assets from fair value through other comprehensive income	-	-	
Reclassification of financial assets from amortized cost	-	-	
Other gains (losses)	143	96	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(94)	143	(56)
Gains (losses) from hedge accounting, net	59	72	(209)
Subtotal gains (losses) on financial assets and liabilities	**798**	**1,234**	**938**
Exchange differences	586	(9)	1,030
Total	**1,383**	**1,223**	**1,968**

The breakdown of the balance (excluding exchange rate differences) under this heading in the accompanying income statements by the nature of financial instruments is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)

	2019	2018	2017
Debt instruments	972	354	545
Equity instruments	1,337	(253)	845
Trading derivatives and hedge accounting	(1,098)	927	(470)
Loans and advances to customers	103	(172)	97
Customer deposits	(26)	240	(96)
Other	(490)	138	18
Total	**798**	**1,234**	**938**

The breakdown of the balance of the impact of the derivatives (trading and hedging) under this heading in the accompanying consolidated income statements is as follows:

Derivatives - Hedge accounting (Millions of Euros)

	2019	2018	2017
Derivatives			
Interest rate agreements	(64)	90	165
Securities agreements	(1,079)	294	(139)
Commodity agreements	6	(2)	99
Credit derivative agreements	74	(109)	(564)
Foreign-exchange agreements	(60)	606	315
Other agreements	(35)	(24)	(137)
Subtotal	**(1,158)**	**856**	**(261)**
Hedging derivatives ineffectiveness			
Fair value hedges	59	87	(177)
Hedging derivative	14	(150)	(236)
Hedged item	45	237	59
Cash flow hedges	-	(15)	(32)
Subtotal	**59**	**72**	**(209)**
Total	**(1,098)**	**927**	**(470)**

In addition, in the years ended December 31, 2019, 2018 and 2017, under the heading “Exchange differences, net" in the accompanying consolidated income statements amounts of negative €225 million, positive €113 million and positive €235 million, respectively, were recognized for transactions with foreign exchange trading derivatives.

42. Other operating income and expense

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

Other operating income (Millions of Euros)

	2019	2018	2017
Gains from sales of non-financial services	258	458	1,109
Of which: Real estate	*91*	*283*	*884*
Other operating income	413	491	330
Of which: Hyperinflation adjustment (*)	*146*	*120*	*-*
Total	**671**	**949**	**1,439**

(*) See Note 2.2.20

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

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Other operating expense (Millions of Euros)			
	2019	**2018**	**2017**
Change in inventories	107	292	886
Of which: Real estate	*68*	*248*	*816*
Other operating expense	1,899	1,808	1,337
Of which: Contributions to guaranteed banks deposits funds	*770*	*727*	*703*
Of which: Hyperinflation adjustment (*)	*538*	*494*	*31*
Total	**2,006**	**2,101**	**2,223**

(*) See Note 2.2.20

43. Income and expense from insurance and reinsurance contracts

The detail of the headings "Income and expense from insurance and reinsurance contracts" in the accompanying consolidated income statements is as follows:

Other operating income and expense on insurance and reinsurance contracts (Millions of Euros)			
	2019	**2018**	**2017**
Income on insurance and reinsurance contracts	2,890	2,949	3,342
Expense on insurance and reinsurance contracts	(1,751)	(1,894)	(2,272)
Total	**1,138**	**1,055**	**1,069**

The table below shows the contribution of each insurance product to the Group´s income for the years ended December 31, 2019, 2018 and 2017:

Income by type of insurance product (Millions of Euros)			
	2019	**2018**	**2017**
Life insurance	631	682	604
Individual	477	486	346
Savings	116	56	38
Risk	361	430	308
Group insurance	154	196	258
Savings	26	39	(4)
Risk	127	157	263
Non-Life insurance	508	373	464
Home insurance	90	110	118
Other non-life insurance products	418	263	346
Total	**1,138**	**1,055**	**1,069**

44. Administration costs

44.1 Personnel expense

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

Personnel expense (Millions of Euros)

	Notes	2019	2018	2017
Wages and salaries		4,920	4,786	5,163
Social security costs		780	722	761
Defined contribution plan expense	25	113	89	87
Defined benefit plan expense	25	50	58	62
Other personnel expense		478	465	497
Total		**6,340**	**6,120**	**6,571**

The breakdown of the average number of employees in the BBVA Group as of December 31, 2019, 2018 and 2017 is as follows:

Average number of employees

	2019	2018	2017
Spanish banks			
Management Team	1,049	1,047	1,026
Other line personnel	21,438	21,840	22,180
Clerical staff	2,626	2,818	3,060
Branches abroad	1,000	589	603
Subtotal	**26,114**	**26,294**	**26,869**
Companies abroad			
Mexico	33,377	31,655	30,664
The United States	9,712	9,786	9,532
Turkey	22,026	22,322	23,154
Venezuela	2,806	3,631	4,379
Argentina	6,193	6,074	6,173
Colombia	5,301	5,185	5,374
Peru	5,976	5,879	5,571
Other	1,605	3,767	5,501
Subtotal	**86,995**	**88,299**	**90,348**
Pension fund managers	**396**	**395**	**362**
Other non-banking companies	**12,638**	**14,349**	**14,925**

The breakdown of the number of employees in the BBVA Group as of December 31, 2019, 2018 and 2017 by category and gender is as follows:

Number of employees at the year end. Professional category and gender

	2019		2018		2017	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
Management team	1,164	344	1,197	339	1,244	342
Other line personnel	38,153	39,644	37,461	38,918	38,670	39,191
Clerical staff	19,414	28,254	19,315	28,397	20,639	31,770
Total	**58,731**	**68,242**	**57,973**	**67,654**	**60,553**	**71,303**

44.1.1 Share-based employee remuneration

The amounts recognized under the heading "Administration costs - Personnel expense - Other personnel expense" in the consolidated income statements for the year ended December 31, 2019, 2018 and 2017, corresponding to the remuneration plans based on equity instruments in each year, amounted to €31 million, €29 million and €38 million, respectively. These amounts have been recognized with a corresponding entry under the heading "Shareholders' funds - Other equity instruments" in the accompanying consolidated balance sheets, net of tax effect.

The characteristics of the Group's remuneration plans based on equity instruments are described below.

System of Variable Remuneration in Shares

BBVA has a specific remuneration system applicable to those employees whose professional activities may have a material impact on the risk profile of the Group (hereinafter "Identified Staff"), designed within the framework of applicable regulations to credit institutions and considering best practices and recommendations at the local and international levels in this matter.

In 2019, this remuneration scheme is reflected in the following remuneration policies:

- **BBVA Group Remuneration Policy**, approved by the Board of Directors on 29 of November 2017, that applies in general to all employees of BBVA and of its subsidiaries that form part of the consolidated group. This policy includes in a specific chapter the remuneration system applicable to the members of BBVA Group Identified Staff, including Senior Management.
- **BBVA Directors' Remuneration Policy**, approved by the Board of Directors and by the General Shareholders' Meeting held on March 15, 2019, that it's applicable to BBVA Directors. The remuneration system for executive directors corresponds, generally, with the applicable system to the Identified Staff, to which they belong, incorporating some particularities of their own, derived from their condition of directors.

The Annual Variable Remuneration for the Identified Staff members is subject to specific rules for settlement and payment established in their corresponding remuneration policies, specifically:

- Variable remuneration for Identified Staff members for each financial year will be subject to *ex ante* adjustments, so that it shall be reduced at the time of the performance assessment in the event of negative performance of the Group's results or other parameters such as the level of achievement of budgeted targets, and it shall not accrue or it will accrue in a reduced amount, should certain level of profits and capital ratios not be achieved.
- 60% of the Annual Variable Remuneration will be paid, if conditions are met, in the year following that to which it corresponds (the "Upfront Portion"). For executive directors, members of the Senior Management and Identified Staff members with particularly high variable remuneration, the Upfront Portion will be 40% of the Annual Variable Remuneration. The remaining portion will be deferred in time (hereinafter, the "Deferred Component") for a 5 year-period for executive directors and members of the Senior Management, and 3 years for the remaining Identified Staff.
- 50% of the Annual Variable Remuneration, both the Upfront Portion and the Deferred Component, shall be established in BBVA shares. As regards executive directors and Senior Management, 60% of the Deferred Component shall be established in shares.
- Shares received as Annual Variable Remuneration shall be withheld for a one-year period after delivery, except for the transfer of those shares required to honor the payment taxes.
- The Deferred Component of the Annual Variable Remuneration may be reduced in its entirety, but never increased, based on the result of multi-year performance indicators aligned with the Group's core risk management and control metrics related to the solvency, capital, liquidity, profitability or to the share performance and the recurring results of the Group.
- Resulting cash portions of the Deferred Component of Annual Variable Remuneration and subject to the multi-year performance indicators, finally delivered, shall be updated following the Consumer Price Index (CPI), measured as the year-on-year change prices, as agreed by the Board of Directors.
- The entire Annual Variable Remuneration shall be subject to *malus* and *clawback* arrangements during the whole deferral and withholding period, both linked to a downturn in the financial performance of the Bank as a whole, of a specific unit or area, or of exposure generated by an Identified Staff member, when such a downturn in financial performance arises from any of the circumstances expressly named in the remuneration policies.
- No personal hedging strategies or insurances shall be used in connection with remuneration or liability that may undermine the effects of alignment with sound risk management.

- The variable component of the remuneration for a financial year shall be limited to a maximum amount of 100% of the fixed component of the total remuneration, unless the General Meeting resolves to increase this percentage up to a maximum of 200%.

In this regard, the General Meeting held on March, 15, 2019 resolved to increase this limit to a maximum level of 200% of the fixed component of the total remuneration for a given number of the Identified Staff members, in the terms indicated in the report issued for this purpose by the Board of Directors dated February 11, 2019.

According to the settlement and payment scheme indicated, during 2019, a total amount of 5,236,123 BBVA shares corresponding to the Upfront Portion of 2018 Annual Variable Remuneration has been delivered to the Identified Staff.

Additionally, according to the Remuneration Policy applicable in 2015, during 2019 a total amount of 3,575,777 BBVA shares corresponding to the Deferred Component of 2015 Variable Remuneration has been delivered to the Identifies Staff. This amount has been subject to a downward adjustment due to the multi-year performance evaluation of one of the long-time indicators, relative TSR, which scale has determined a downward adjustment of the Deferred Component linked to this indicator in a 10%.

Likewise, the aforesaid policy established that the deferred amounts in shares of the Annual Variable Remuneration finally vested, subject to multi-year performance indicators, will be updated in cash, based on the terms established by the Board of Directors. In this regard, during 2019 a total amount of 3,003,646 euros has been delivered to the Identified Staff as updates of the corresponding shares of the Deferred Component of 2015 Annual Variable Remuneration.

Detailed information on the delivery of shares to executive directors and Senior Management is included in Note 54.

Lastly, in line with specific regulation applicable in Portugal and Brazil, BBVA has identified the staff in these countries whose Annual Variable Remuneration should be subject to a specific settlement and payment scheme, more specifically:

- A percentage of the Annual Variable Remuneration is subject to a three years deferral that shall be paid yearly over the mentioned period.
- 50% of the Annual Variable Remuneration, both the Upfront Portion and Deferred Component, shall be established in BBVA Shares.
- Both the Upfront Portion and the Deferred Component of the Annual Variable Remuneration may be subject to update adjustments in cash.

According to this remuneration scheme, during financial year 2019 a total of 21,916 BBVA shares corresponding to the Upfront Portion of 2018 Annual Variable Remuneration have been delivered to this staff in Portugal and Brazil.

Additionally, during 2019 there have been delivered to this staff in Portugal and Brazil a total of 9,717 BBVA shares corresponding to the first third of the Deferred Component of 2017 Annual Variable Remuneration, as well as 2,435 euros as adjustments for updates. A total of 12,365 BBVA shares corresponding to the second third of the Deferred Component of 2016 Annual Variable Remuneration and 5,810 euros as adjustments for updates; and a total of 10,460 BBVA shares corresponding to the last third of the Deferred Component of 2015 Annual Variable Remuneration and 8,786 euros as adjustments for updates.

44.2 Other administrative expense

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

Other administrative expense (Millions of Euros)

	2019	2018	2017
Technology and systems	1,216	1,133	1,018
Communications	218	235	269
Advertising	317	336	352
Property, fixtures and materials	552	982	1,033
Of which: Rent expense (*)	*106*	*552*	*581*
Taxes other than income tax	401	417	456
Other expense	1,258	1,271	1,412
Total	**3,963**	**4,374**	**4,541**

(*) The change is mainly due to the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

45. Depreciation and amortization

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

Depreciation and amortization (Millions of Euros)

	Notes	2019	2018	2017
Tangible assets	17	979	594	694
For own use		584	589	680
Investment properties		3	5	13
Right-of-use assets (*)		392		
Other Intangible assets	18.2	620	613	694
Total		**1,599**	**1,208**	**1,387**

(*) The change is mainly due to the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

46. Provisions or (reversal) of provisions

For the years ended December 31, 2019, 2018 and 2017, the net provisions recognized in this income statement line item were as follows:

Provisions or (reversal) of provisions (Millions of Euros)

	Notes	2019	2018	2017
Pensions and other post employment defined benefit obligations	25	214	125	343
Commitments and guarantees given		93	(48)	(313)
Pending legal issues and tax litigation		170	133	318
Other provisions		140	163	397
Total		**617**	**373**	**745**

47. Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification

The breakdown of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss by the nature of those assets in the accompanying consolidated income statements is as follows:

Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)

	Notes	2019	2018	2017
Financial assets at fair value through other comprehensive income		82	1	1,127
Debt securities		82	1	(4)
Equity instruments				1,131
Financial assets at amortized cost		4,069	3,980	3,677
Of which: recovery of written-off assets	7.1.5	*919*	*589*	*558*
Held to maturity investments				*(1)*
Total		**4,151**	**3,981**	**4,803**

48. Impairment or (reversal) of impairment on non-financial assets

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying consolidated income statements are as follows:

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

Impairment or (reversal) of impairment on non-financial assets (Millions of Euros)

	Notes	2019	2018	2017
Tangible assets	17	94	5	42
Intangible assets (*)		1,330	83	16
Others	20	23	51	306
Total		**1,447**	**138**	**364**

(*) The balance of 2019 mainly corresponds to the impairment of the CGU in The United States (see Note 18).

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

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

Gains (losses) on derecognition of non-financial assets and subsidiaries, net (Millions of Euros)

	2019	2018	2017
Gains			
Disposal of investments in non-consolidated subsidiaries	9	55	38
Disposal of tangible assets and other	27	81	69
Losses			
Disposal of investments in non-consolidated subsidiaries	(2)	(13)	(27)
Disposal of tangible assets and other	(37)	(45)	(33)
Total	**(3)**	**78**	**47**

50. Gain (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

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

Gain (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)

	Notes	2019	2018	2017
Gains on sale of real estate		89	129	102
Impairment of non-current assets held for sale	21	(77)	(208)	(158)
Gains (losses) on sale of investments classified as non-current assets held for sale (*)		10	894	82
Gains on sale of equity instruments classified as non-current assets held for sale		-	-	-
Total		**21**	**815**	**26**

(*) The variation in year 2018 is mainly due to the sale of the BBVA stake in BBVA Chile (see Note 3).

51. Consolidated statements of cash flows

In the consolidated statements of cash flows, balance of "Cash equivalent in central banks" includes short-term deposits at central banks recorded under the heading "Financial assets at amortized cost" in the accompanying consolidated balance sheets and does not include demand deposits with credit institutions recorded in the heading "Cash, balances in cash at Central Bank and other demand deposits".

The variation between 2019 and 2018 of the financial liabilities from financing activities is the following:

Liabilities from financing activities (Millions of Euros)

	December 31, 2018	Cash flows	Non-cash changes				December 31, 2019
			Acquisition	Disposal	Foreign exchange movement	Fair value changes	
Liabilities at amortized cost: Debt certificates	61,112	2,643	-	-	209	-	63,963
Of which: Issuances of subordinated liabilities (*)	*17,635*	*(190)*	-	-	*229*	-	*17,675*

(*) Additionally, there are €384 million of issuances of subordinated liabilities as of December 2019 (see Note 22 and Appendix VI). The €40 million subordinated issuances of BBVA Paraguay as of December 2019 are recorded in the heading "Liabilities included in disposal groups classified as held for sale".

Liabilities from financing activities (Millions of Euros)

	December 31, 2017	Cash flows	Non-cash changes				December 31, 2018
			Acquisition	Disposal	Foreign exchange movement	Fair value changes	
Liabilities at amortized cost: Debt certificates	61,649	2,152	-	(1,828)	(862)	-	61,112
Of which: Issuances of subordinated liabilities (*)	*17,443*	*857*	-	*(694)*	*29*	-	*17,635*

(*) Additionally, there were €411 million of issuances of subordinated liabilities as of December 2019 (see Note 22 and Appendix VI). The €574 million subordinated issuances of BBVA Chile as of December 2019 were recorded in the heading "Liabilities included in disposal groups classified as held for sale".

52. Accountant fees and services

The details of the fees for the services contracted by entities of the BBVA Group for the years ended December 31, 2019, 2018 and 2017 with their respective auditors and other audit entities are as follows:

Fees for Audits conducted and other related services (Millions of euros) (**)

	2019	2018	2017
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	28.1	26.1	27.2
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the KPMG worldwide organization	1.5	1.5	1.9
Fees for audits conducted by other firms	-	0.1	0.1

(*) Including fees pertaining to annual legal audits (€24.1, €22.4 and €22.6 million as of December 31, 2019, 2018 and 2017, respectively).

(**) Regardless of the billed year.

In the years ended December 31, 2019, 2018 and 2017, certain entities in the BBVA Group contracted other services (other than audits) as follows:

Other services rendered (Millions of Euros)

	2019	2018	2017
Firms belonging to the KPMG worldwide organization	0.3	0.3	0.5

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. or its controlled companies at the date of preparation of these consolidated financial statements as follows:

Fees for audits conducted (*) (Millions of Euros)

	2019	2018	2017
Legal audit of BBVA,S.A. or its companies under control	6.5	6.7	6.8
Other audit services of BBVA, S.A. or its companies under control	5.5	5.9	5.0
Limited Review of BBVA, S.A. or its companies under control	0.9	1.1	0.9
Reports related to issuances	0.3	0.3	0.4
Assurance services and other required by the regulator	0.8	0.9	0.6
Other	-	-	-

(*) Services provided by KPMG Auditores, S.L. to companies located in Spain, to the branch of BBVA in New York and to the branch of BBVA in London.

The services provided by the auditors meet the independence requirements of the external auditor established under Audit of Accounts Law (Law 22/2015) and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC).

53. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. These transactions are not relevant and are carried out under normal market conditions. As of December 31, 2019, 2018, and 2017 the following are the transactions with related parties:

53.1 Transactions with significant shareholders

As of December 31, 2019, 2018 and 2017, there were no shareholders considered significant (see Note 26).

53.2 Transactions with BBVA Group entities

The balances of the main captions in the accompanying consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

Balances arising from transactions with entities of the Group (Millions of Euros)

	2019	2018	2017
Assets			
Loans and advances to credit institutions	26	132	91
Loans and advances to customers	1,682	1,866	510
Liabilities			
Deposits from credit institutions	3	2	5
Customer deposits	453	521	428
Debt certificates	-	-	-
Memorandum accounts			
Contingent commitments	166	152	114
Other contingent commitments given	1,042	1,358	1,175
Financial guarantees given	106	78	78

The balances of the main aggregates in the accompanying consolidated income statements resulting from transactions with associates and joint venture entities that are accounted for under the equity method are as follows:

Balances of consolidated income statement arising from transactions with entities of the Group (Millions of Euros)

	2019	2018	2017
Income statement			
Interest and other income	19	55	26
Interest expense	1	2	1
Fee and commission income	4	5	5
Fee and commission expense	53	48	49

There were no other material effects in the consolidated financial statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1) and from the insurance policies to cover pension or similar commitments (see Note 25) and the derivatives transactions arranged by BBVA Group with these entities, associates and joint ventures.

In addition, as part of its normal activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the accompanying consolidated financial statements.

53.3 Transactions with members of the Board of Directors and Senior Management

The amount and nature of the transactions carried out with members of the Board of Directors and Senior Management of BBVA is given below. These transactions belong to the Bank's ordinary business or traffic, are of little relevance and have being carried out under normal market conditions.

As of December 31, 2019 and 2018, the amount availed against the loans granted by the Group’s entities to the members of the Board of Directors amounted to €607 and €611 thousand, respectively. As of December 31, 2017, there were no loans granted by the Group’s entities to the members of the Board of Directors.

As of December 31, 2019, 2018 and 2017, there were no loans granted to parties related to the members of the Board of Directors.

As of December 31, 2019, 2018 and 2017, the amount availed against the loans granted by the Group's entities to the members of Senior Management (excluding the executive directors) amounted to €4,414, €3,783 and €4,049 thousand, respectively. The amount availed against the loans granted to parties related to members of the Senior Management on those same dates amounted to €57, €69 and €85 thousand, respectively.

As of December 31, 2019, 2018 and 2017 no guarantees had been granted to any member of the Board of Directors.

As of December 31, 2019, 2018 and 2017, the amount availed against guarantees arranged with members of the Senior Management amounted to €10, €38 and €28 thousand, respectively.

As of December 31, 2019 the amount availed against commercial loans and guarantees arranged with parties related to the members of the Bank's Board of Directors and the Senior Management totaled to €25 thousand. As of December 31, 2018, no commercial loans and guarantees has been granted to parties related to the members of the Bank's Board of Directors and the Senior Management. As of December 31, 2017 the amount availed against commercial loans and guarantees arranged with parties related to the members of the Bank's Board of Directors and the Senior Management totaled €8 thousand.

The information on the remuneration of the members of the BBVA Board of Directors and Senior Management is included in Note 54.

53.4 Transactions with other related parties

As of December 31, 2019, 2018 and 2017, the Group did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were not carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's consolidated net equity, net earnings and financial situation.

54 Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management

Remuneration received by non-executive directors in 2019

The remunerations paid to non-executive members of the Board of Directors during the 2019 financial year are indicated below, individualized and itemized:

Remuneration for non-executive directors (Thousands of Euros)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remunerations Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other functions (1)	Total
Tomás Alfaro Drake	129				43		43		214
José Miguel Andrés Torrecillas	129		104	107		111		33	483
Jaime Caruana Lacorte	129	167	110	107			14		527
Belén Garijo López	129		68		107	45			348
Sunir Kumar Kapoor	129						43		172
Carlos Loring Martínez de Irujo	129	167		107	43				445
Lourdes Máiz Carro	129		68		43	14			253
José Maldonado Ramos	129	167				45			340
Ana Peralta Moreno	129		68		43				240
Juan Pi Llorens	129		24	214		31	43	53	493
Susana Rodríguez Vidarte	129	167		107		45			447
Jan Verplancke	129						43		172
Total (2)	**1,545**	**667**	**442**	**642**	**278**	**289**	**186**	**87**	**4,134**

(1) Amounts received during the 2019 financial year by José Miguel Andrés Torrecillas, in his capacity as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, in his capacity as Lead Director, positions for which they were appointed by resolution of the Board of Directors on 29 April 2019.

(2) This includes the amounts corresponding to the position of member of the Board and of the various committees during the 2019 financial year. By resolution of the Board of Directors on 29 April 2019, the functions of some Board committees were redistributed, and their associated remunerations adapted to these changes in some cases.

Also, during the 2019 financial year, €104 thousand have been paid out in casualty and healthcare insurance premiums for non-executive members of the Board of Directors.

Remuneration received by executive directors in 2019

Over the course of financial year 2019, the executive directors have received the amount of the Annual Fixed Remuneration corresponding to said financial year, established for each director in the Remuneration Policy for BBVA Directors, which was approved by the General Meeting held on 15 March 2019.

In addition, the executive directors have received their Annual Variable Remuneration (AVR) for the 2018 financial year, which, in accordance with the settlement and payment system set out in the remuneration policy applicable to said year, was due to be paid to them during the 2019 financial year.

In application of this settlement and payment system:

- 40% of the 2018 Annual Variable Remuneration corresponding to executive directors has been paid in the 2019 financial year (the "Upfront Portion"); in equal parts in cash and BBVA shares.

- The remaining 60% of the Annual Variable Remuneration has been deferred (40% in cash and 60% in shares) for a period of five years, and its accrual and payment will be subject to compliance with a series of multi-year indicators (the "Deferred Portion"). The application of these indicators, calculated over the first three years of deferral, may lead to a reduction of the Deferred Portion, even in its entirety, but in no event may such amount be increased. Provided that the relevant conditions have been met, the resulting amount will then be paid, in cash and in BBVA shares, according to the following payment schedule: 60% in 2022, 20% in 2023 and the remaining 20% in 2024.

- All the shares delivered to the executive directors as Annual Variable Remuneration, both as part of the Upfront Portion and the Deferred Portion, will be withheld for a period of one year after their delivery; this will not apply to those shares transferred to honor the payment of taxes arising therefrom.

- The Deferred Portion of the Annual Variable Remuneration payable in cash will be subject to updating under the terms established by the Board of Directors.

- Executive directors may not use personal hedging strategies or insurance in connection with the remuneration and responsibility that may undermine the effects of alignment with prudent risk management.

- The variable component of the remuneration for executive directors corresponding to the 2018 financial year is limited to a maximum amount of 200% of the fixed component of the total remuneration, as agreed by the General Shareholders' Meeting held during that financial year.

- Over the entire deferral and withholding period, the Annual Variable Remuneration for the executive directors will be subject to variable remuneration reduction and recovery arrangements (malus and clawback).

Additionally, upon receipt of the shares, executive directors will not be allowed to transfer a number equivalent to twice their Annual Fixed Remuneration for at least three years after their delivery.

Similarly, in accordance with the Remuneration Policy for BBVA Directors applicable in 2015 and in application of the settlement and payment system of the Annual Variable Remuneration for said financial year, the Group Executive Chairman and the executive director Head of Global Economics & Public Affairs ("Head of GE&PA") have received in 2019 the deferred Annual Variable Remuneration for the 2015 financial year, delivery of which was due that year (50% of the Annual Variable Remuneration), after being adjusted downwards following the result of the TSR indicator. This remuneration has been paid in equal parts in cash and in shares, together with the corresponding update in cash, thus concluding payment of the Annual Variable Remuneration to the executive directors for the 2015 financial year.

In accordance with the above, the remunerations paid to executive directors during the 2019 financial year are indicated below, individualized and itemized:

Annual Fixed Remuneration for 2019 (Thousands of Euros)

Group Executive Chairman	2,453
Chief Executive Officer	2,179
Director de GE&PA	834
Total	**5,466**

In addition, in accordance with the current Remuneration Policy for BBVA Directors, during the 2019 financial year, the Chief Executive Officer (Consejero Delegado) has received the corresponding amounts of fixed remuneration for the concepts of cash in lieu of pension, given that he does not have a retirement pension (see the Pension Commitments section of this Note), and mobility allowance. The Bank therefore paid the Chief Executive Officer the amount of €654 thousand and €506 thousand, respectively, for these concepts during the 2019 financial year.

Annual Variable Remuneration for 2018

	In cash (1) (thousands of Euros)	In shares (1)
Group Executive Chairman	479	100,436
Chief Executive Officer (2)	200	41,267
Head of GE&PA	79	16,641
Total	**758**	**158,344**

(1) Remunerations corresponding to the upfront portion (40%) of the AVR for the 2018 financial year (50% paid in cash and 50% in BBVA shares). For the Group Executive Chairman and Chief Executive Officer, these variable remunerations are linked to their previous positions as Chief Executive Officer and *President & CEO* of BBVA USA, respectively.

(2) Remuneration received in US dollars. Data in thousands of Euros is for information purposes.

Deferred Annual Variable Remuneration for 2015

	In cash (1) (thousands of Euros)	In shares (1)
Group Executive Chairman	612	79,157
Head of GE&PA	113	14,667
Total	**725**	**93,824**

(1) Remunerations corresponding to deferred AVR for financial year 2015 (50% of the AVR for 2015, in equal parts in cash and shares), payment of which was due in 2019, together with its corresponding update in cash, and after its downward adjustment following the result of the TSR indicator. For the Group Executive Chairman, these variable remunerations relate to his previous position as Chief Executive Officer.

In addition, the executive directors received remuneration in kind throughout financial year 2019, including insurance premiums and others, amounting to a total of €411 thousand, of which €184 thousand correspond to the Group Executive Chairman, €144 thousand to the Chief Executive Officer and €83 thousand to the executive director Head of GE&PA.

Remuneration received by Senior Management in 2019

During the 2019 financial year, the members of Senior Management, excluding executive directors, have received the amount of the Annual Fixed Remuneration corresponding to that financial year.

In addition, they have received the Annual Variable Remuneration for financial year 2018, which, in accordance with the settlement and payment system set out in the remuneration policy applicable for said financial year, was due to be paid to them during financial year 2019.

Under this settlement and payment system, the same rules as set out above for executive directors are applicable. These include, among others: 40% of the Annual Variable Remuneration, in equal parts in cash and in BBVA shares, will be paid in the financial year following the year to which it corresponds (the "Upfront Portion"), and the remaining 60% will be deferred (40% in cash and 60% in shares) for a five-year period, with its accrual and payment being subject to compliance with a series of multi-year indicators (the "Deferred Portion"), applying the same payment schedule established for executive directors. The shares received will be withheld for a period of one year (this will not apply to those shares transferred to honour the payment of taxes arising therefrom). Likewise, senior management may not use personal hedging strategies or insurance in connection with the remuneration; the variable component of the remuneration for Senior Management corresponding to financial year 2018 will be limited to a maximum amount of 200% of the fixed component of the total remuneration; and over the entire deferral and withholding period, the Annual Variable Remuneration will be subject to reduction and recovery (malus and clawback) arrangements.

Similarly, in accordance with the remuneration policy applicable to the executive directors in 2015 and in application of the settlement and payment system of the Annual Variable Remuneration for said financial year, the members of the Senior Management who were beneficiaries of such remuneration, have received in 2019 the deferred portion of the Annual Variable Remuneration for financial year 2015, after being adjusted downwards following the result of the TSR indicator, in equal parts in cash and in shares, along with its update in cash, concluding the payment of this remuneration to the members of the Senior Management.

In accordance with the above, the remuneration paid during the 2019 financial year to all members of the Senior Management as a whole, who held that position as of 31 December 2019 (15 members), excluding executive directors, is indicated below (itemized):

Annual Fixed Remuneration for 2019 (thousands of Euros)

Senior Management total	13,883

Annual Variable Remuneration for 2018

	In cash (thousands of Euros)	In shares
Senior Management total	887	185,888

(1) Remunerations corresponding to the upfront portion (40%) of the AVR for financial year 2018 (paid 50% in cash and 50% in BBVA shares). For those members of the Senior Management who were appointed by the Board of Directors on 20 December 2018 and 29 April, 30 July and 19 December 2019, this remuneration relates to their previous positions.

Annual Variable Remuneration for 2015

	In cash (thousands of Euros)	In shares
Senior Management total	1,263	163,215

(1) Remunerations corresponding to deferred AVR for financial year 2015 (50% of the AVR for 2015, in equal parts in cash and in shares), payment of which was due in 2019, together with its corresponding update in cash, and after its downward adjustment following the result of the TSR indicator.

In addition, all members of Senior Management, excluding executive directors, have received remuneration in kind throughout the 2019 financial year, including insurance premiums and others, amounting to a total of €769 thousand.

Remunerations of executive directors due in 2020 and subsequent financial years

- **Annual Variable Remuneration for executive directors for the 2019 financial year**

Following year-end 2019, the Annual Variable Remuneration for executive directors corresponding to said period has been determined, applying the conditions set out in the Remuneration Policy for BBVA Directors approved by the General Meeting on 15 March 2019. As in the previous financial year, the following settlement and payment system applies to this remuneration:

- The Upfront Portion (40% of the 2019 Annual Variable Remuneration) will be paid, provided that the conditions are met, during the first quarter of 2020, in equal parts in cash and in shares, which amounts to €636 thousand and 126,470 BBVA shares in the case of the Group Executive Chairman; €571 thousand and 113,492 BBVA shares in the case of the Chief Executive Officer and €75 thousand and 14,998 BBVA shares in the case of the Head of GE&PA.

- The remaining 60% of the 2019 Annual Variable Remuneration will be deferred (40% in cash and 60% in shares) over a five-year period (Deferred Portion), subject to compliance with the multi-year performance indicators determined by the Board of Directors at the start of financial year 2019, which may lead to a reduction in the Deferred Portion, even in its entirety, but in no event may such amount be increased. These multi-year performance indicators will be calculated over the first three years of deferral and, provided that the relevant conditions have been met, the resulting amount will then be paid, in cash and in BBVA shares, according to the following payment schedule: 60% after the third year of deferral; 20% after the fourth year of deferral; and the remaining 20% after the fifth year of deferral. All the above is subject to the settlement and payment system set out in the Remuneration Policy for BBVA Directors, which includes, among others, malus and clawback arrangements and retention periods for the shares.

The amounts corresponding to the deferred shares are detailed in the section "Other capital instruments – Remunerations based on Capital Instruments" and the cash part in "Other Liabilities/Other Accruals" in the consolidated balance sheet as of 31 December 2019.

- **Deferred Annual Variable Remuneration of executive directors for financial year 2016**

Following year-end 2019, the deferred Annual Variable Remuneration of executive directors for financial year 2016 (50%) has been determined, with delivery, if conditions are met, during financial year 2020, subject to the conditions established for this purpose in the remuneration policy applicable in that financial year.

Thus, based on the result of each of the multi-year performance indicators set by the Board in 2016 to calculate the deferred portion of this remuneration, and in application of the relevant scales of achievement and their corresponding targets and weightings, the final amount of the deferred Annual Variable Remuneration for financial year 2016 has been determined, following the corresponding downward adjustment as a consequence of the result of the TSR indicator. As a result, such remuneration, including the corresponding updates, has been determined in an amount of €656 thousand and 89,158 BBVA shares in the case of the Group Executive Chairman; €204 thousand and 31,086 BBVA shares in the case of the Chief Executive Officer; and €98 thousand and 13,355 BBVA shares in the case of the Head of GE&PA. With these amounts paid, there will be no more outstanding payments due to the executive directors in respect of Annual Variable Remuneration for the 2016 financial year.

Lastly, as at year-end 2019, in addition to the abovementioned Deferred Portion of the Annual Variable Remuneration of the executive directors for financial year 2019 and in accordance with the conditions established in the remuneration policies applicable in previous years, 60% of the Annual Variable Remuneration corresponding to financial years 2017 and 2018 has been deferred and is pending payment to the executive directors and will be received in future years, if the applicable conditions are met.

Remunerations of Senior Management due in 2020 and subsequent financial years

- **Annual Variable Remuneration of Senior Management for financial year 2019**

Following year-end 2019, the Annual Variable Remuneration of Senior Management corresponding to said financial year has been determined (15 members as of 31 December 2019, excluding executive directors). The Annual Variable Remuneration for all members of the Senior Management, excluding executive directors, has been determined to be a combined total amount of €6,363 thousand.

The 2019 Annual Variable Remuneration for each member of Senior Management will be paid, in the first quarter of 2020, in accordance with the settlement and payment system applicable in each case and in accordance with the provisions of the BBVA Group's Remuneration Policy, if the applicable conditions are met, in an amount equal to €1,291 thousand and 257,907 BBVA shares (Upfront

Portion). The remaining amount will be deferred and subject to the remaining conditions of the settlement and payment system of the applicable Annual Variable Remuneration.

- **Determination of the Deferred Annual Variable Remuneration of Senior Management for financial year 2016**

Following year-end 2019, the deferred Annual Variable Remuneration of Senior Management (15 members as of 31 December 2019, excluding executive directors) for financial year 2016 has been determined, with delivery, if conditions are met, taking place during financial year 2020, subject to the conditions established for this purpose in the applicable remuneration policy.

Thus, based on the result of each of the multi-year performance indicators set by the Board in 2016 to calculate the deferred portion of this remuneration, and in application of the relevant scales of achievement and their corresponding targets and weightings, the final amount of the deferred portion of the Annual Variable Remuneration for members of the Senior Management for financial year 2016 has been determined, following the corresponding downward adjustment as a consequence of the result of the TSR indicator. The combined total amount, excluding executive directors, has been determined to be €1,277 thousand and 196,899 BBVA shares, including the corresponding updates. With these amounts paid, there will be no more outstanding payments due to the Senior Management in respect of the Annual Variable Remuneration for the 2016 financial year.

Lastly, in addition to the abovementioned Deferred Portion of the Annual Variable Remuneration for financial year 2019, as at year-end 2019 and in accordance with the conditions established in the remuneration policies applicable in previous years, 60% of the Annual Variable Remuneration corresponding to financial years 2017 and 2018 has been deferred and is pending payment to the members of the Senior Management and will be received in future years if the applicable conditions are met.

Remuneration system with deferred delivery of shares for non-executive directors

BBVA has a remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the General Shareholders' Meeting held on 18 March 2006 and extended by resolutions of the General Meetings held on 11 March 2011 and 11 March 2016 for an additional period of five years in each case.

This system involves the annual allocation to non-executive directors of a number of "theoretical shares" of BBVA equivalent to 20% of the total remuneration received in cash by each of them in the previous financial year. This is calculated according to the average closing prices of BBVA shares during the 60 trading sessions prior to the dates of the Annual General Shareholders' Meetings that approve the corresponding annual financial statements for each financial year.

These shares will be delivered to each beneficiary, where applicable, after they leave their positions as directors for reasons other than serious breach of their duties.

The "theoretical shares" allocated to non-executive directors who are beneficiaries of the remuneration system in shares with deferred delivery in financial year 2019, corresponding to 20% of the total remuneration in cash received by each of them in financial year 2018, are as follows:

	Theoretical shares allocated in 2019	Theoretical shares accumulated as at 31 December 2019
Tomás Alfaro Drake	10,138	93,587
José Miguel Andrés Torrecillas	19,095	55,660
Jaime Caruana Lacorte	9,320	9,320
Belén Garijo López	12,887	47,528
Sunir Kumar Kapoor	6,750	15,726
Carlos Loring Martínez de Irujo	17,515	116,391
Lourdes Máiz Carro	11,160	34,320
José Maldonado Ramos	15,328	94,323
Ana Peralta Moreno	5,624	5,624
Juan Pi Llorens	17,970	72,141
Susana Rodríguez Vidarte	17,431	122,414
Jan Verplancke	5,203	5,203
Total	**148,421**	**672,237**

Pension commitments with directors and Senior Management

The Bank has not made pension commitments with non-executive directors.

With regard to the Group Executive Chairman, the Remuneration Policy for BBVA Directors establishes a pension framework whereby he is eligible, provided that he does not leave his position as a result of a serious breach of duties, to receive a retirement pension, paid in either income or capital, when he reaches the legally established retirement age. The amount of this pension will be determined by the annual contributions made by the Bank, together with their corresponding accumulated yields as of that date.

The annual contribution to cover the retirement contingency in the Group Executive Chairman's defined-contribution system, as established in the Remuneration Policy for BBVA Directors, was determined as a result of the conversion of his previous defined-benefit rights into a defined-contribution system, in the annual amount of €1,642 thousand. The Board of Directors may update this amount during the term of the Policy, in the same way and under the same terms as it may update the Annual Fixed Remuneration.

15% of the aforementioned agreed annual contribution will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the Remuneration Policy for BBVA Directors.

In the event the contractual relationship terminates before reaching retirement age for reasons other than serious breach of duties, the retirement pension due to the Group Executive Chairman upon reaching the legally established retirement age will be calculated based on the funds accumulated through the contributions made by the Bank under the terms set out, up to that date, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank in any event from the time of termination.

With respect to the commitments to cover the contingencies for death and disability benefits for the Group Executive Chairman, the Bank will undertake the payment of the corresponding annual insurance premiums in order to top up the coverage of these contingencies.

In line with the above, during the 2019 financial year, €1,919 thousand were recorded to meet the pension commitments for the Chairman. This amount includes the contribution to the retirement contingency (€1,642 thousand) and the payment of premiums for the death and disability contingencies (€278 thousand), as well as the negative adjustment of €1 thousand for “discretionary pension benefits” for the 2018 financial year, which were declared at 2018 year-end and had to be registered in the accumulated fund in 2019.

As of 31 December 2019, the total accumulated amount of the fund to meet the retirement commitments for the Group Executive Chairman was €21,582 thousand.

With regard to the agreed annual contribution to the retirement contingency corresponding to the 2019 financial year, 15% (€246 thousand) has been registered in that financial year as "discretionary pension benefits". Following year-end 2019, this amount has been adjusted according to the criteria established to determine the Group Executive Chairman's Annual Variable Remuneration for 2019. Accordingly, the "discretionary pension benefits" for the 2019 financial year have been determined in an amount of €261 thousand, which will be included in the accumulated fund for financial year 2020, subject to the same conditions as the Deferred Portion of the Annual Variable Remuneration for financial year 2019, as well as to the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

With regard to the Chief Executive Officer, in accordance with the provisions of the current Remuneration Policy for BBVA Directors and his contract, the Bank has not made any retirement commitments, although he is entitled to an annual cash sum instead of a retirement pension (cash in lieu of pension), equivalent to 30% of his Annual Fixed Remuneration. The Bank has also made pension commitments to cover the death and disability contingencies, for which purpose the corresponding annual insurance premiums will be paid.

In accordance with the above, in the 2019 financial year the Bank has paid the Chief Executive Officer the amount of fixed remuneration as cash in lieu of pension set out in the “Remuneration received by executive directors in 2019” section of this Note. Furthermore, €141 thousand were recorded for the payment of the annual insurance premiums to cover the death and disability contingencies.

For the executive director Head of GE&PA, the pension system provided for in the Remuneration Policy for BBVA Directors establishes an annual contribution of 30% of the Head of GE&PA's Annual Fixed Remuneration to cover the retirement contingency. 15% of the aforementioned agreed annual contribution will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the Policy.

The executive director Head of GE&PA, upon reaching retirement age, will be entitled to receive, in the form of capital or income, the benefits arising from contributions made by the Bank to cover pension commitments, plus the corresponding yield accumulated up to that date, provided the executive director Head of GE&PA does not leave said position due to serious breach of duties. In the event of voluntary termination of the contractual relationship by the director before retirement, the benefits will be limited to 50% of the contributions made by the Bank up to that date, together with the corresponding accumulated yield, with no additional contributions to be made by the Bank in any event upon termination of the contractual relationship.

With respect to the commitments to cover the contingencies for death and disability benefits for the executive director Head of GE&PA, the Bank will undertake the payment of the corresponding annual insurance premiums in order to top up the coverage under their pension system.

In line with the above, during the 2019 financial year, €404 thousand have been recorded to meet the pension commitments for the executive director Head of GE&PA. This amount includes the contribution to the retirement contingency (€250 thousand) and the payment of premiums to cover the death and disability contingencies (€150 thousand), as well as €4 thousand corresponding to the adjustment made to the amount of "discretionary pension benefits" for financial year 2018, as declared at 2018 year-end and which had to be registered in the accumulated fund in 2019.

As of 31 December 2019, the total accumulated amount of the fund to meet the retirement commitments for the executive director Head of GE&PA amounts to €1,404 thousand.

With regard to the annual contribution agreed for the retirement contingency, 15% (€38 thousand) has been registered in 2019 as "discretionary pension benefits" and, following year-end 2019, this amount has been adjusted according to the criteria established to determine the executive director Head of GE&PA's Annual Variable Remuneration for 2019. Accordingly, the "discretionary pension benefits" for the financial year have been determined in an amount of €40 thousand, which will be included in the accumulated fund for financial year 2020, subject to the same conditions as the Deferred Portion of the Annual Variable Remuneration for financial year 2019, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

In addition, during the 2019 financial year, €3,281 thousand have been recorded to meet the pension commitments for members of the Senior Management (15 members holding that position as of 31 December 2019, excluding executive directors). This amount includes both the contribution to the retirement contingency (€2,656 thousand) and the payment of premiums to cover the death and disability contingencies (€627 thousand), as well as the negative adjustment of €2 thousand for "discretionary pension benefits" for the 2018 financial year, as declared at 2018 year-end, and which had to be registered in the accumulated fund in 2019.

At 31 December 2019, the total accumulated amount of the fund to meet the retirement commitments for members of the Senior Management amounts to €20,287 thousand.

15% of the agreed annual contributions for members of the Senior Management to cover retirement contingencies will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the remuneration policy applicable to members of the Senior Management.

Accordingly, with regard to the agreed annual contribution for the retirement contingency registered in the 2019 financial year, an amount of €389 thousand has been registered as "discretionary pension benefits" during the 2019 financial year and, following year-end 2019, this amount has been adjusted according to the same criteria established to determine the Senior Management's Annual Variable Remuneration for 2019. Accordingly, the "discretionary pension benefits" for members of the Senior Management for the financial year have been determined in an amount of €402 thousand, which will be included in the accumulated fund for financial year 2020, subject to the same conditions as the Deferred Portion of Annual Variable Remuneration for financial year 2019, as well as the remaining conditions established for these benefits in the remuneration policy applicable to members of the Senior Management.

Payments for the termination of the contractual relationship

In accordance with the Remuneration Policy for BBVA Directors, the Bank has no commitments regarding severance payments to executive directors.

With regard to Senior Management, excluding executive directors, the Bank has paid out a total of €8,368 thousand during financial year 2019, resulting from the termination of the contractual relationship with four senior managers with an average length of service in the Group of 25 years, in execution of their contracts. These contracts include the right to receive the relevant legal indemnity, provided that termination of their contract is not due to voluntary leave, retirement, disability or serious breach of their duties. The amount of this pay will be calculated in accordance with the provisions of applicable labor regulations. In some cases, the contracts also include the right to an amount additional to the legal indemnity, which will be considered variable remuneration in accordance with the solvency regulations that apply to this group, as well as notice clauses.

In line with the above, as of 31 December 2019, €1,199 thousand is pending payment and will be paid, if conditions are met, in accordance with the same schedule and regulations of the settlement and payment system applicable to the Annual Variable Remuneration for financial year 2019, as established in the remuneration policy applicable to the members of Senior Management.

All these payments comply with the conditions set out in the regulations applicable to the group of employees with a material impact on the Group's risk profile, to which senior managers belong.

55. Other information

55.1 Environmental impact

Given the activities BBVA Group entities engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated equity, financial situation and profits. Consequently, as of December 31, 2019, there is no item included that requires disclosure in an environmental information report pursuant to Ministry JUS/318/2018, of March 21, by which the new model for the presentation in the Commercial Register of the consolidated annual accounts of the subjects obliged to its publication is approved.

55.2 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid

The table below presents the dividends per share paid in cash during 2019, 2018 and 2017 (cash basis dividend, regardless of the year in which they were accrued), but without including other shareholder remuneration, such as the "Dividend Option". See Note 4 for a complete analysis of all remuneration awarded to the shareholders in 2019, 2018 and 2017.

Dividends paid ("Dividend Option" not included)

	2019			2018			2017		
	% Over nominal	Euros per share	Amount (Millions of Euros)	% Over nominal	Euros per share	Amount (Millions of Euros)	% Over nominal	Euros per share	Amount (Millions of Euros)
Ordinary shares	53.06%	0.26	1,734	51.02%	0.25	1,667	34.69%	0.17	1,125
Rest of shares	-	-	-	-	-	-	-	-	-
Total dividends paid in cash	**53.06%**	**0.26**	**1,734**	**51.02%**	**0.25**	**1,667**	**34.69%**	**0.17**	**1,125**
Dividends with charge to income	53.06%	0.26	1,734	51.02%	0.25	1,667	34.69%	0.17	1,125
Dividends with charge to reserve or share premium	-	-	-	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-	-	-	-
Flexible payment	-	-	-	-	-	-	-	-	-

Ordinary income and attributable profit by operating segment

The detail of the consolidated ordinary income and profit for each operating segment is as follows as of December 2019 and 2018:

Ordinary income and attributable profit by operating segment

	Income from ordinary activities (1)		Profit/ (loss)	
	2019	2018	2019	2018
Spain	9,814	10,724	1,386	1,400
The United States	4,516	3,910	590	736
Mexico	13,131	11,610	2,699	2,367
Turkey	8,868	9,830	506	567
South America	6,786	6,555	721	578
Rest of Eurasia	684	617	127	96
Subtotal operating segments	**43,800**	**43,246**	**6,029**	**5,743**
Corporate Center	(696)	(994)	(2,517)	(343)
Total	**43,104**	**42,252**	**3,512**	**5,400**

(1) The line comprises interest income; dividend income; fee and commission income; gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net; gains (losses) on financial assets and liabilities held for trading, net; gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net; gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net; gains (losses) from hedge accounting, net; other operating income; and income from insurance and reinsurance contracts.

Interest income by geographical area

The breakdown of the balance of "Interest income and similar income" in the accompanying consolidated income statements by geographical area is as follows:

Interest income. Breakdown by geographical area (Millions of Euros)

	Notes	2019	2018	2017
Domestic		4,962	4,952	5,093
Foreign		26,099	24,879	24,203
European Union		470	509	422
Eurozone		304	391	239
No Eurozone		166	117	183
Other countries		25,629	24,370	23,781
Total	**37.1**	**31,061**	**29,831**	**29,296**

Average number of employees

The detail of the average number of employees is as follows as of December 2019, 2018 and 2017:

Average number of employees

	2019	2018	2017
Men	58,365	59,547	60,730
Women	67,778	69,790	71,774
Total	**126,143**	**129,336**	**132,504**

55.3 Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24 (which developed certain aspects of Act 2/1981, dated March 25, on the regulation of the mortgage market and other mortgage and financial market regulations), can be found in Appendix X.

56. Subsequent events

On January 31, 2020 it was announced that it was foreseen to submit to the consideration of the corresponding government bodies the proposal of cash payment in a gross amount of euro 0.16 per share to be paid in April 2020 as final dividend for 2019 (see Note 4).

From January 1, 2020 to the date of preparation of these consolidated financial statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

57. Explanation added for translation into English

These accompanying consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

Appendices

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

APPENDIX I. Additional information on subsidiaries and structured entities composing the BBVA Group

			% share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
ACTIVOS MACORP SL	SPAIN	REAL ESTATE	50.63	49.37	100.00	21	21	1
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	19	17	1
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	1,538	1,625	(73)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	99	71	9
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1,444	1,504	(57)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	43	42	1
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	-	100.00	100.00	27	8	(1)
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	UNITED KINGDOM	INVESTMENT COMPANY	-	100.00	100.00	4	4	(2)
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	(3)	4
APLICA NEXTGEN SERVICIOS S.A. DE C.V	MEXICO	SERVICES	-	100.00	100.00	-	-	-
APLICA TECNOLOGIA AVANZADA SA DE CV	MEXICO	SERVICES	100.00	-	100.00	203	219	8
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	872	872	-
ARRAHONA AMBIT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	12	24	(2)
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	53	114	-
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	58	64	1
ARRAHONA RENT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	11	-
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	64	79	-
ARRELS CT LLOGUER, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	5	6	-
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	22	24	-
ARRELS CT PROMOU SA	SPAIN	REAL ESTATE	-	100.00	100.00	28	37	(4)
AZLO BUSINESS, INC	UNITED STATES	SERVICES	-	100.00	100.00	5	19	(14)
BAHIA SUR RESORT S.C.	SPAIN	INACTIVE	99.95	-	99.95	-	1	-
BANCO BBVA ARGENTINA S.A.	ARGENTINA	BANKING	39.97	26.58	66.55	157	963	214
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	-	100.00	110	164	41
BANCO INDUSTRIAL DE BILBAO SA	SPAIN	BANKING	-	99.93	99.93	47	45	2
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	-
BANCO PROVINCIAL OVERSEAS NV	CURAÇAO	BANKING	-	100.00	100.00	51	45	6
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	36	132	(7)
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	79	611	16
BBVA (SUIZA) SA	SWITZERLAND	BANKING	100.00	-	100.00	98	114	7
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	-	100.00	100.00	-	0	-
BBVA ASSET MANAGEMENT SA SAF	PERU	FINANCIAL SERVICES	-	100.00	100.00	10	6	4
BBVA ASSET MANAGEMENT SA SGIIC	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	43	(58)	114
BBVA ASSET MANAGEMENT SA SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	31	21	10
BBVA AUTOMERCANTIL COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS LDA.	PORTUGAL	FINANCIAL SERVICES	100.00	-	100.00	6	4	1
BBVA BANCO CONTINENTAL SA (1)	PERU	BANKING	-	46.12	46.12	1,139	2,041	439
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	19	11	8

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.
(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.
(1) Full consolidation method is used according to accounting rules (see Glossary)

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

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
							Affiliate entity data	
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit(loss) 31.12.19	Profit (loss) 31.12.19
BBVA BANCOMER OPERADORA SA DE CV	MEXICO	SERVICES	-	100.00	100.00	21	4	23
BBVA BANCOMER SA INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER	MEXICO	BANKING	-	100.00	100.00	10,124	7,549	2,244
BBVA BANCOMER SEGUROS SALUD SA DE CV	MEXICO	INSURANCES SERVICES	-	100.00	100.00	13	14	(1)
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	50	53	18
BBVA BOLSA SOCIEDAD AGENTE DE BOLSA S.A.	PERU	SECURITIES DEALER	-	100.00	100.00	5	4	1
BBVA BRASIL BANCO DE INVESTIMENTO SA	BRAZIL	BANKING	100.00	-	100.00	16	25	-
BBVA BROKER CORREDURIA DE SEGUROS Y REASEGUROS SA	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	-	10	5
BBVA BROKER SA	ARGENTINA	INSURANCES SERVICES	-	99.96	99.96	-	3	4
BBVA COLOMBIA SA	COLOMBIA	BANKING	77.41	18.06	95.47	355	1,186	229
BBVA CONSOLIDAR SEGUROS SA	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	8	21	12
BBVA CONSULTING (BEIJING) LIMITED	CHINA	FINANCIAL SERVICES	-	100.00	100.00	2	2	-
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA EDPYME SA (BBVA CONSUMER FINANCE - EDPYME)	PERU	FINANCIAL SERVICES	-	100.00	100.00	26	20	5
BBVA DATA & ANALYTICS SL	SPAIN	SERVICES	-	100.00	100.00	6	3	-
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	5	3	2
BBVA FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	231	227	2
BBVA FINANZIA SPA	ITALY	IN LIQUIDATION	100.00	-	100.00	3	4	-
BBVA FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	22	17	5
BBVA FRANCES ASSET MANAGMENT S.A. SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN.	ARGENTINA	FINANCIAL SERVICES	-	100.00	100.00	14	11	2
BBVA FUNDOS S.GESTORA FUNDOS PENSOES SA	PORTUGAL	PENSION FUNDS MANAGEMENT	100.00	-	100.00	8	6	2
BBVA GLOBAL FINANCE LTD	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	5	-
BBVA GLOBAL MARKETS BV	NETHERLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	-	-
BBVA HOLDING CHILE SA	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	139	299	54
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SPAIN	SERVICES	76.00	-	76.00	1	1	1
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO SA	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	52	3
BBVA INSURANCE AGENCY, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	47	38	9
BBVA INTERNATIONAL PREFERRED SOCIEDAD ANONIMA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	-	-
BBVA IRELAND PLC	IRELAND	FINANCIAL SERVICES	100.00	-	100.00	2	3	-
BBVA LEASING MEXICO SA DE CV	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	51	133	15
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	-	100.00	100.00	10	18	18
BBVA MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2,989	2,907	77
BBVA NEXT TECHNOLOGIES OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-
BBVA NEXT TECHNOLOGIES SLU	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	31	22	4
BBVA NEXT TECHNOLOGIES, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	2	-
BBVA OP3N S.L.	SPAIN	SERVICES	-	100.00	100.00	2	2	(1)
BBVA OPEN PLATFORM INC	UNITED STATES	SERVICES	-	100.00	100.00	3	8	(6)
BBVA PARAGUAY SA	PARAGUAY	BANKING	100.00	-	100.00	23	139	31
BBVA PENSIONES SA ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUNDS MANAGEMENT	100.00	-	100.00	13	19	8

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

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Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
BBVA PERU HOLDING SAC	PERU	INVESTMENT COMPANY	100.00	-	100.00	124	947	199
BBVA PLANIFICACION PATRIMONIAL SL	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	-	1	-
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUNDS MANAGEMENT	75.00	5.00	80.00	1	5	8
BBVA PROCESSING SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
BBVA PROCUREMENT SERVICES AMERICA DEL SUR SpA	CHILE	SERVICES	-	100.00	100.00	6	6	-
BBVA RE INHOUSE COMPAÑIA DE REASEGUROS, S.E.	SPAIN	INSURANCES SERVICES	-	100.00	100.00	39	43	-
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	206	193	13
BBVA SEGUROS COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	15	9
BBVA SEGUROS DE VIDA COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	104	34
BBVA SEGUROS SA DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	-	99.96	713	532	298
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	-	100.00	100.00	-	-	-
BBVA SOCIEDAD TITULIZADORA S.A.	PERU	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
BBVA TRADE, S.A.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	10	5	6
BBVA TRANSFER HOLDING INC	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	96	81	16
BBVA TRANSFER SERVICES INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	73	63	10
BBVA USA	UNITED STATES	BANKING	-	100.00	100.00	11,063	10,997	107
BBVA USA BANCSHARES, INC.	UNITED STATES	INVESTMENT COMPANY	100.00	-	100.00	11,424	11,755	135
BBVA VALORES COLOMBIA SA COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	-	100.00	100.00	5	5	-
BBVA WEALTH SOLUTIONS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	12	8	4
BILBAO VIZCAYA HOLDING SA	SPAIN	INVESTMENT COMPANY	89.00	11.00	100.00	41	87	15
CAIXA MANRESA IMMOBILIARIA ON CASA SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
CAIXA MANRESA IMMOBILIARIA SOCIAL SL	SPAIN	REAL ESTATE	100.00	-	100.00	4	3	-
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	1	1	-
CAIXASABADELL PREFERENTS SA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1	-
CARTERA E INVERSIONES SA CIA DE	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	92	27	77
CASA DE BOLSA BBVA BANCOMER SA DE CV	MEXICO	SECURITIES DEALER	-	100.00	100.00	46	26	21
CATALONIA GEBIRA, S.L. (IN LIQUIDATION)	SPAIN	REAL ESTATE	-	100.00	100.00	-	-	-
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
CATALUNYACAIXA CAPITAL SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	82	81	1
CATALUNYACAIXA IMMOBILIARIA SA	SPAIN	REAL ESTATE	100.00	-	100.00	321	317	-
CATALUNYACAIXA SERVEIS SA	SPAIN	SERVICES	100.00	-	100.00	2	2	-
CDD GESTIONI S.R.L.	ITALY	REAL ESTATE	100.00	-	100.00	5	10	-
CETACTIUS SL	SPAIN	REAL ESTATE	100.00	-	100.00	1	1	-
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	15	15	-
CIDESSA UNO SL	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	5	(38)	65
CIERVANA SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	53	54	-

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

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Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
CLUB GOLF HACIENDA EL ALAMO, S.L.(IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	97.87	97.87	1	1	-
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	-	50.00	50.00	-	-	-
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	-	100.00	100.00	5	4	1
COMPAÑIA CHILENA DE INVERSIONES SL	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	221	239	11
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	7,429	7,344	85
COMPASS GP, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	44	44	-
COMPASS INSURANCE TRUST	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
COMPASS LIMITED PARTNER, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,512	6,429	84
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	74	73	1
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
COMPASS SOUTHWEST, LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	5,380	5,323	66
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
CONSOLIDAR A.F.J.P SA	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	1	1	-
CONTENTS AREA, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	7	-
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	8	7	1
CORPORACION GENERAL FINANCIERA SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	510	1,433	20
COVAULT, INC	UNITED STATES	SERVICES	-	100.00	100.00	1	3	(3)
DALLAS CREATION CENTER, INC	UNITED STATES	SERVICES	-	100.00	100.00	2	4	(1)
DATA ARCHITECTURE AND TECHNOLOGY MEXICO SA DE CV	MEXICO	SERVICES	-	100.00	100.00	1	1	-
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SPAIN	SERVICES	-	51.00	51.00	-	2	-
DATA ARCHITECTURE AND TECHNOLOGY OPERADORA SA DE CV	MEXICO	SERVICES	-	100.00	100.00	-	-	-
DENIZEN FINANCIAL, INC	UNITED STATES	SERVICES	-	100.00	100.00	1	3	(2)
DENIZEN GLOBAL FINANCIAL SAU	SPAIN	PAYMENT ENTITIES	100.00	-	100.00	-	5	(3)
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
DISTRITO CASTELLANA NORTE, S.A.	SPAIN	REAL ESTATE	-	75.54	75.54	113	150	(5)
ECASA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	30	18	12
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	-	99.05	99.05	-	-	-
EL MILANILLO, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	7	7	-
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	2	3	(1)
ENTRE2 SERVICIOS FINANCIEROS E.F.C SA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	9	9	-
ESPAIS SABADELL PROMOCIONS INMOBILIARIES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	6	8	(1)
EUROPEA DE TITULIZACION SA SGFT .	SPAIN	FINANCIAL SERVICES	88.24	-	88.24	2	20	3
EXPANSION INTERCOMARCAL SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	16	17	-
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION (1)	MEXICO	REAL ESTATE	-	42.40	42.40	-	1	-
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	1	-

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(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% share of participation (**)			Millions of Euros (*)		
							Affiliate entity data	
			Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
F/403035-9 BBVA HORIZONTES RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	-	-
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	3	2	-
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	50	45	5
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	-	100.00	100.00	-	-	-
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE	-	100.00	100.00	5	3	2
FIDEICOMISO INMUEBLES CONJUNTO RESIDENCIAL HORIZONTES DE VILLA CAMPESTRE	COLOMBIA	REAL ESTATE	-	100.00	100.00	1	1	-
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	-	59.99	59.99	-	2	-
FIDEICOMISO N.989 EN THE BANK OF NEW YORK MELLON SA INSTITUCION DE BANCA MULTIPLE FIDUCIARIO (FIDEIC.00989 6 EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	(3)	3
FIDEICOMISO Nº 847 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 4ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	1	1
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	-	100.00	100.00	3	2	1
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	5	6	(1)
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. (IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	60.00	60.00	-	-	-
FORUM COMERCIALIZADORA DEL PERU SA	PERU	SERVICES	-	100.00	100.00	1	1	-
FORUM DISTRIBUIDORA DEL PERU SA	PERU	FINANCIAL SERVICES	-	100.00	100.00	6	5	1
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	43	35	6
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	246	187	49
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	1	-
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	340	291	(3)
GARANTI BANK SA	ROMANIA	BANKING	-	100.00	100.00	262	293	25
GARANTI BBVA AS (1)	TURKEY	BANKING	49.85	-	49.85	4,967	7,219	968
GARANTI BBVA EMEKLILIK AS	TURKEY	INSURANCES SERVICES	-	84.91	84.91	173	129	71
GARANTI BBVA FACTORING AS	TURKEY	FINANCIAL SERVICES	-	81.84	81.84	20	21	4
GARANTI BBVA FILO AS	TURKEY	SERVICES	-	100.00	100.00	1	5	5
GARANTI BBVA LEASING AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	152	137	16
GARANTI BBVA PORTFOY AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	20	14	6
GARANTI BBVA YATIRIM AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	48	26	23
GARANTI BILISIM TEKNOLOJISI VE TIC TAS	TURKEY	SERVICES	-	100.00	100.00	15	12	4
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	(5)	(14)
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	263	340	-
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	-	100.00	100.00	-	1	-
GARANTI KULTUR AS	TURKEY	SERVICES	-	100.00	100.00	-	-	-
GARANTI ODEME SISTEMLERI AS (GOSAS)	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	3	-
GARANTI YATIRIM ORTAKLIGI AS	TURKEY	INVESTMENT COMPANY	-	91.40	91.40	-	6	1
GARANTIBANK BBVA INTERNATIONAL N.V.	NETHERLANDS	BANKING	-	100.00	100.00	587	577	7
GARRAF MEDITERRANIA, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
GESCAT GESTIO DE SOL SL	SPAIN	REAL ESTATE	100.00	-	100.00	11	12	(1)

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Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net carrying amount**	**Equity excluding profit (loss) 31.12.19**	**Profit (loss) 31.12.19**
GESCAT LLEVANT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	3	3	-
GESCAT LLOGUERS SL	SPAIN	REAL ESTATE	100.00	-	100.00	3	4	-
GESCAT POLSKA SP ZOO	POLAND	REAL ESTATE	100.00	-	100.00	-	-	-
GESCAT SINEVA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-
GESCAT VIVENDES EN COMERCIALITZACIO SL	SPAIN	REAL ESTATE	100.00	-	100.00	91	92	(2)
GESTION DE PREVISION Y PENSIONES SA	SPAIN	PENSION FUNDS MANAGEMENT	60.00	-	60.00	9	21	5
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	-	100.00	100.00	1	2	-
GRAN JORGE JUAN SA	SPAIN	REAL ESTATE	100.00	-	100.00	423	409	14
GRUPO FINANCIERO BBVA BANCOMER SA DE CV	MEXICO	FINANCIAL SERVICES	99.98	-	99.98	6,678	8,586	2,645
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	33	33	-
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	-	-	-
HABITATGES FINVER, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
HABITATGES JUVIPRO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
HOLAMUNO AGENTE DE SEGUROS VINCULADO, S.L.U. (IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	100.00	100.00	-	1	-
HOLVI DEUTSCHLAND SERVICE GMBH (IN LIQUIDATION)	GERMANY	IN LIQUIDATION	-	100.00	100.00	-	-	-
HOLVI PAYMENT SERVICE OY	FINLAND	FINANCIAL SERVICES	-	100.00	100.00	55	22	(17)
HUMAN RESOURCES PROVIDER, INC	UNITED STATES	SERVICES	-	100.00	100.00	349	342	6
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	343	337	6
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	35	21	14
INMUEBLES Y RECUPERACIONES CONTINENTAL SA	PERU	REAL ESTATE	-	100.00	100.00	44	42	2
INPAU, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	25	25	-
INVERAHORRO SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	98	102	-
INVERPRO DESENVOLUPAMENT, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	4	8	2
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	-	100.00	100.00	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC NV (1)	CURAÇAO	INVESTMENT COMPANY	48.00	-	48.01	16	46	6
INVERSIONES BAPROBA CA	VENEZUELA	FINANCIAL SERVICES	100.00	-	100.00	-	1	(1)
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	-	60.46	60.46	-	-	-
IRIDION SOLUCIONS IMMOBILIARIES SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
JALE PROCAM, S.L. (IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	50.00	50.00	-	(53)	(2)
L'EIX IMMOBLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
LIQUIDITY ADVISORS LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,154	1,144	17
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	-	100.00	100.00	9	2	-
MICRO SPINAL LLC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	(1)
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	7	7	-
MOTORACTIVE IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	36	25	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	-	100.00	100.00	-	1	1

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Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net carrying amount**	**Equity excluding profit (loss) 31.12.19**	**Profit (loss) 31.12.19**
MULTIASISTENCIA OPERADORA S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	-	-
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	-	-
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	27	18	9
NOIDIRI SL	SPAIN	REAL ESTATE	100.00	-	100.00	-	-	-
NOVA TERRASSA 3, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	-	100.00	100.00	2	1	1
OPENPAY COLOMBIA SAS	COLOMBIA	PAYMENT ENTITIES	-	100.00	100.00	-	-	-
OPENPAY S.A.P.I DE C.V.	MEXICO	PAYMENT ENTITIES	-	100.00	100.00	18	4	(1)
OPENPAY SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-
OPERADORA DOS LAGOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	1	-
OPPLUS OPERACIONES Y SERVICIOS SA	SPAIN	SERVICES	100.00	-	100.00	1	30	6
OPPLUS SAC (IN LIQUIDATION)	PERU	IN LIQUIDATION	-	100.00	100.00	1	1	-
P.I. HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
PARCSUD PLANNER, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
PECRI INVERSION SA	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	169	166	3
PENSIONES BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	245	211	90
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	288	285	5
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	84	84	-
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	26	26	-
PROMOCIONES Y CONSTRUCCIONES CERBAT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	8	8	-
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	36	37	(1)
PROMOU CT 3AG DELTA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
PROMOU CT EIX MACIA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	4	5	(1)
PROMOU CT GEBIRA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
PROMOU CT OPENSEGRE, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	5	7	(2)
PROMOU CT VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
PROMOU GLOBAL, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	18	18	-
PRONORTE UNO PROCAM, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	-	-
PROPEL VENTURE PARTNERS GLOBAL, S.L	SPAIN	FINANCIAL SERVICES	-	99.50	99.50	52	64	15
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	-	100.00	100.00	107	90	17
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	-	58.86	58.86	-	-	-
PROVINCIAL DE VALORES CASA DE BOLSA CA	VENEZUELA	SECURITIES DEALER	-	90.00	90.00	1	1	-
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA CA	VENEZUELA	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
PROV-INFI-ARRAHONA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUNDS MANAGEMENT	-	100.00	100.00	2	2	-
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	50.00	50.00	8	21	(4)
PUERTO CIUDAD LAS PALMAS, S.A.	SPAIN	REAL ESTATE	-	96.64	96.64	-	(24)	(1)

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Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation (**)			Millions of Euros (*)		
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QIPRO SOLUCIONES S.L.	SPAIN	SERVICES	-	100.00	100.00	5	12	2
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	38	16	2
RPV COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	0	(1)
RWHC, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	772	753	14
SAGE OG I, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
SATICEM GESTIO SL	SPAIN	REAL ESTATE	100.00	-	100.00	4	4	-
SATICEM HOLDING SL	SPAIN	REAL ESTATE	100.00	-	100.00	5	5	-
SATICEM IMMOBILIARIA SL	SPAIN	REAL ESTATE	100.00	-	100.00	16	15	1
SATICEM IMMOBLES EN ARRENDAMENT SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
SEGUROS BBVA BANCOMER SA DE CV GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	413	336	282
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	-	100.00	100.00	8	8	-
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	6	-
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2	6	1
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	-	100.00	100.00	16	12	4
SIMPLE FINANCE TECHNOLOGY CORP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	56	78	(23)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO SA	SPAIN	SERVICES	100.00	-	100.00	71	76	(5)
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO SA	SPAIN	INACTIVE	77.20	-	77.20	-	-	-
SPORT CLUB 18 SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	8	12	(3)
TEXAS LOAN SERVICES LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,170	1,151	20
TMF HOLDING INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	16	15	1
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	-	100.00	100.00	1	1	-
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	30	30	1
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	-	29	1
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS SA	SPAIN	REAL ESTATE	100.00	-	100.00	336	543	(18)
UPTURN FINANCIAL INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2	4	(3)
URBANIZADORA SANT LLORENC SA	SPAIN	INACTIVE	60.60	-	60.60	-	-	-
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SPAIN	SERVICES	-	51.00	51.00	-	-	1
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	51.00	51.00	15	29	1

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

This Appendix is an integral part of Note 3 of the condensed consolidated financial statements for the year ended December 31, 2019.

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

APPENDIX II. Additional information on investments joint ventures and associates in the BBVA Group

Acquisitions or increases of interest ownership in consolidated subsidiaries

			% Legal share of participation			Millions of Euros (*) Affiliate entity data				
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets 31.12.19	Liabilities 31.12.19	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	COMMERCIAL	-	40.00	40.00	3	19	11	7	1
ATOM BANK PLC	UNITED KINGDOM	BANKING	39.02	-	39.02	136	3,285	3,024	350	(90)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	5	10	0	9	1
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO SA	SPAIN	PUBLIC ENTITIES AND INSTITUTIONS	16.67	-	16.67	23	146	6	131	9
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	-	21.03	21.03	3	103	89	5	9
DIVARIAN PROPIEDAD, S.A.U.	SPAIN	REAL ESTATE	20.00	-	20.00	630	3,252	101	3,199	(48)
FIDEICOMISO F/00185 FIMPE - FIDEICOMISO F/00185 PARA EXTENDER A LA SOCIEDAD LOS BENEFICIOS DEL ACCESO A LA INFRAESTRUCTURA DE LOS MEDIOS DE PAGO ELECTRONICOS	MEXICO	FINANCIAL SERVICES	-	28.50	28.50	2	8	-	13	(4)
METROVACESA SA	SPAIN	REAL ESTATE	9.44	11.41	20.85	443	2,622	280	2,343	(1)
REDSYS SERVICIOS DE PROCESAMIENTO SL	SPAIN	FINANCIAL SERVICES	20.00	-	20.00	14	128	56	60	11
ROMBO COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	40.00	40.00	10	118	93	28	(4)
SERVICIOS ELECTRONICOS GLOBALES SA DE CV	MEXICO	SERVICES	-	46.14	46.14	11	23	-	20	3
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO SA	ESPAÑA	FINANCIAL SERVICES	28.72	-	28.72	8	31	3	27	1
SOLARISBANK AG	GERMANY	BANKING	-	22.22	22.22	36	416	369	65	(18)
TELEFONICA FACTORING ESPAÑA SA	SPAIN	FINANCIAL SERVICES	30.00	-	30.00	4	60	46	7	7
TF PERU SAC	PERU	FINANCIAL SERVICES	-	24.30	24.30	1	6	1	3	2
JOINT VENTURES										
ADQUIRA MEXICO SA DE CV	MEXICO	COMMERCIAL	-	50.00	50.00	2	6	2	4	-
ALTURA MARKETS SOCIEDAD DE VALORES SA	SPAIN	SECURITY DEALER	50.00	-	50.00	73	2,448	2,301	138	9
COMPAÑIA MEXICANA DE PROCESAMIENTO SA DE CV	MEXICO	SERVICES	-	50.00	50.00	9	17	-	16	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. (1)	SPAIN	INVESTMENT COMPANY	-	50.00	50.00	29	63	5	58	-
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	SPAIN	REAL ESTATE	-	50.00	50.00	14	81	53	27	2
FIDEICOMISO DE ADMINISTRACION REDETRANS	COLOMBIA	FINANCIAL SERVICES	-	25.07	25.07	1	4	-	4	-
FIDEICOMISO F/402770-2 ALAMAR	MEXICO	REAL ESTATE	-	42.40	42.40	8	18	-	18	-
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA (1)	MEXICO	REAL ESTATE	-	32.25	32.25	12	182	-	182	-
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	-	39.11	39.11	4	15	-	15	-
RCI COLOMBIA SA COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	-	49.00	49.00	37	514	439	67	8
VITAMEDICA ADMINISTRADORA, S.A. DE C.V	MEXICO	SERVICES	-	51.00	51.00	5	19	10	9	-

(*) In foreign companies the exchange rate of December 31, 2019 is applied.

(1) Classified as Non-current asset in seld.

This Appendix is an integral part of Notes 3 and 16 of the condensed consolidated financial statements for the year ended December 31, 2019.

APPENDIX III. Changes and notification of participations in the BBVA Group in 2019

Acquisitions or increases of interest ownership in consolidated subsidiaries

			Millions of Euros		% of Voting rights			
Company	**Type of transaction**	**Activity**	**Price paid in the transactions + expenses directly attributable to the transactions**	**Fair value of equity instruments issued for the transactions**	**% participation (net) acquired in the year**	**Total voting rights controlled after the transactions**	**Effective date for the transaction (or notification date)**	**Category**
DATA ARCHITECTURE AND TECHNOLOGY MEXICO SA DE CV	FOUNDING	SERVICES	1	-	100.00%	100.00%	22-Jul-19	SUBSIDIARY
DATA ARCHITECTURE AND TECHNOLOGY OPERADORA SA DE CV	FOUNDING	SERVICES	-	-	100.00%	100.00%	22-Jul-19	SUBSIDIARY
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	CAPITAL INCREASE	INVESTMENT COMPANY	4	-	25.00%	100.00%	25-Nov-19	SUBSIDIARY
BBVA PROCUREMENT AMERICA SA DE CV (1)	FOUNDING	SERVICES	-	-	100.00%	100.00%	4-Mar-19	SUBSIDIARY
FIDEICOMISO INMUEBLES CONJUNTO RESIDENCIAL HORIZONTES DE VILLA CAMPESTRE	FOUNDING	REAL ESTATE	1	-	100.00%	100.00%	1-Sep-19	SUBSIDIARY
OPENPAY COLOMBIA SAS	FOUNDING	PAYMENT INSTITUTIONS	-	-	100.00%	100.00%	9-Oct-19	SUBSIDIARY

(1) Company incorporated and liquidated in the same year.

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Disposals or reduction of interest ownership in consolidated subsidiaries

			Millions of Euros		% of Voting rights			
Company	Type of transaction	Activity	Profit (loss) in the transaction	Changes in the equity due to the transaction	% Participation sold in the year	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)	Category
BBVA FRANCES VALORES, S.A.	MERGER	SECURITIES DEALER	-	-	100.00%	-	31-Oct-19	SUBSIDIARY
ENTIDAD DE PROMOCION DE NEGOCIOS SA	LIQUIDATION	OTHER HOLDING	-	-	99.88%	-	14-Jun-19	SUBSIDIARY
BBVA NOMINEES LIMITED (IN LIQUIDATION)	LIQUIDATION	SERVICES	-	-	100.00%	-	2-Apr-19	SUBSIDIARY
BBVA LUXINVEST SA	LIQUIDATION	INVESTMENT COMPANY	-	-	100.00%	-	2-Sep-19	SUBSIDIARY
BBVA CONSULTORIA, S.A.	LIQUIDATION	SERVICES	-	-	100.00%	-	18-Feb-19	SUBSIDIARY
RENTRUCKS ALQUILER Y SERVICIOS DE TRANSPORTE SA	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	30-Apr-19	SUBSIDIARY
FIDEICOMISO Nº 711 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 1ª EMISION)	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	30-May-19	SUBSIDIARY
FIDEICOMISO Nº 752 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 2ª EMISION)	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	30-Nov-19	SUBSIDIARY
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MERGER	REAL ESTATE	-	-	100.00%	-	29-Nov-19	SUBSIDIARY
FINANCEIRA DO COMERCIO EXTERIOR SAR.	LIQUIDATION	COMMERCIAL	-	-	100.00%	-	21-Jan-19	SUBSIDIARY
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	9-May-19	SUBSIDIARY
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	LIQUIDATION	SERVICES	-	-	100.00%	-	25-Feb-19	SUBSIDIARY
COPROMED SA DE CV	LIQUIDATION	SERVICES	-	-	100.00%	-	18-Oct-19	SUBSIDIARY
INVERSIONES DE INNOVACION EN SERVICIOS FINANCIEROS, S.L.	MERGER	INVESTMENT COMPANY	-	-	100.00%	-	16-Sep-19	SUBSIDIARY
PERSONAL DATA BANK SLU	LIQUIDATION	SERVICES	-	-	100.00%	-	31-Dec-19	SUBSIDIARY
BBVA PROCUREMENT AMERICA SA DE CV (1)	LIQUIDATION	SERVICES	-	-	100.00%	-	11-Dec-19	SUBSIDIARY
GARANTI HIZMET YONETIMI AS	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	23-Dec-19	SUBSIDIARY

(1) Company incorporated and liquidated in the same year.

Changes and notification of participations in the BBVA Group in 2019 (continued)

Business combinations and other acquisitions or increases of interest ownership in associates and joint-ventures accounted for under the equity method

			Millions of Euros		% of Voting rights			
Company	**Type of transaction**	**Activity**	**Price paid in the transactions + expenses directly attributable to the transactions**	**Fair value of equity instruments issued for the transactions**	**% Participation (net) acquired in the year**	**Total voting rights controlled after the transactions**	**Effective date for the transaction (or notification date)**	**Category**
PRIVACYCLOUD S.L.	ACQUISITION	SERVICES	1	-	18.10%	20.00%	11-Oct-19	ASSOCIATED

Disposal or reduction of interest ownership in associates and joint-ventures companies accounted for under the equity method

			Millions of Euros	% of Voting rights			
Company	**Type of transaction**	**Activity**	**Profit (loss) in the transaction**	**% Participation sold in the year**	**Total voting rights controlled after the disposal**	**Effective date for the transaction (or notification date)**	**Category**
REAL ESTATE DEAL II SA	LIQUIDATION	REAL ESTATE	-	20.06%	-	11-Nov-19	JOINT VENTURE
CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.	DISPOSAL	REAL ESTATE	10	33.33%	-	31-Dec-19	ASSOCIATED
BANK OF HANGZHOU CONSUMER FINANCE CO LTD	DILUTION EFFECT	BANKING	7	18.10%	11.90%	29-Jul-19	ASSOCIATED
AXIACOM-CRI, S.L. (IN LIQUIDATION)	LIQUIDATION	REAL ESTATE	-	50.00%	-	30-Oct-19	JOINT VENTURE
HABITATGES LLULL, S.L.	LIQUIDATION	REAL ESTATE	-	50.00%	-	20-Nov-19	JOINT VENTURE
PROMOCIONS CAN CATA, S.L. (IN LIQUIDATION)	LIQUIDATION	REAL ESTATE	-	64.29%	-	17-Jun-19	JOINT VENTURE
RESIDENCIAL SARRIA-BONANOVA, S.L. EN LIQUIDACIÓN	LIQUIDATION	REAL ESTATE	-	27.22%	-	31-Dec-19	ASSOCIATED
INNOVA 31, S.C.R., S.A.(EN LIQUIDACION)	LIQUIDATION	FINANCIAL SERVICES	-	27.04%	-	01-Mar-19	ASSOCIATED
PROVIURE CZF, S.L.	LIQUIDATION	REAL ESTATE	-	50.00%	-	31-Dec-19	JOINT VENTURE
PROVIURE CZF PARC D'HABITATGES, S.L.	LIQUIDATION	REAL ESTATE	-	100.00%	-	31-Dec-19	JOINT VENTURE

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

APPENDIX IV. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2019

		% of voting rights controlled by the Bank		
Company	**Activity**	**Direct**	**Indirect**	**Total**
BBVA BANCO CONTINENTAL SA	BANKING	-	46.12	46.12
BANCO PROVINCIAL SA - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC NV	INVESTMENT COMPANY	48.00	-	48.00
PRO-SALUD, C.A.	NO ACTIVITY	-	58.86	58.86
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	-	60.46	60.46
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	PENSION FUND MANAGEMENT	75.00	5.00	80.00
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	-	50.00	50.00
DISTRITO CASTELLANA NORTE, S.A.	REAL ESTATE	-	75.54	75.54
GESTION DE PREVISION Y PENSIONES SA	PENSION FUND MANAGEMENT	60.00	-	60.00
F/403035-9 BBVA HORIZONTES RESIDENCIAL	REAL ESTATE	-	65.00	65.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	-	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	-	51.00	51.00
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	BANKING	-	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	-	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	-	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	-	51.00	51.00
GARANTI BBVA EMEKLILIK AS	INSURANCES	-	84.91	84.91
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. EN LIQUIDACION	IN LIQUIDATION	-	60.00	60.00
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SERVICES	76.00	-	76.00
JALE PROCAM, S.L. (IN LIQUIDATION)	IN LIQUIDATION	-	50.00	50.00
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	BANKING	-	50.00	50.00

This Appendix is an integral part of Note 3 of the condensed consolidated financial statements for the year ended December 31, 2019.

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APPENDIX V. BBVA Group's structured entities. Securitization funds

			Millions of Euros	
Securitization fund (consolidated)	**Company**	**Origination date**	**Total securitized exposures at the origination date**	**Total securitized exposures as of December 31, 2019 (*)**
AYT HIPOTECARIO MIXTO IV, FTA	BBVA, S.A.	06/2005	100	15
AYT HIPOTECARIO MIXTO, FTA	BBVA, S.A.	03/2004	100	10
BBVA CONSUMER AUTO 2018-1	BBVA, S.A.	06/2018	800	736
BBVA CONSUMO 7 FTA	BBVA, S.A.	07/2015	1,450	350
BBVA CONSUMO 8 FT	BBVA, S.A.	07/2016	700	337
BBVA CONSUMO 9 FT	BBVA, S.A.	03/2017	1,375	850
BBVA EMPRESAS 4 FTA	BBVA, S.A.	07/2010	1,700	25
BBVA LEASING 1 FTA	BBVA, S.A.	06/2007	2,500	25
BBVA RMBS 1 FTA	BBVA, S.A.	02/2007	2,500	897
BBVA RMBS 10 FTA	BBVA, S.A.	06/2011	1,600	1,076
BBVA RMBS 11 FTA	BBVA, S.A.	06/2012	1,400	940
BBVA RMBS 12 FTA	BBVA, S.A.	12/2013	4,350	2,959
BBVA RMBS 13 FTA	BBVA, S.A.	07/2014	4,100	2,908
BBVA RMBS 14 FTA	BBVA, S.A.	11/2014	700	447
BBVA RMBS 15 FTA	BBVA, S.A.	05/2015	4,000	2,945
BBVA RMBS 16 FT	BBVA, S.A.	05/2016	1,600	1,245
BBVA RMBS 17 FT	BBVA, S.A.	11/2016	1,800	1,460
BBVA RMBS 18 FT	BBVA, S.A.	11/2017	1,800	1,582
BBVA RMBS 2 FTA	BBVA, S.A.	03/2007	5,000	1,664
BBVA RMBS 3 FTA	BBVA, S.A.	07/2007	3,000	1,312
BBVA RMBS 5 FTA	BBVA, S.A.	05/2008	5,000	2,187
BBVA RMBS 9 FTA	BBVA, S.A.	04/2010	1,295	788
BBVA VELA SME 2018	BBVA, S.A.	03/2018	1,950	873
BBVA-6 FTPYME FTA	BBVA, S.A.	06/2007	1,500	8
FTA TDA-22 MIXTO	BBVA, S.A.	12/2004	112	22
FTA TDA-27	BBVA, S.A.	12/2006	275	79
FTA TDA-28	BBVA, S.A.	07/2007	250	76
GAT ICO FTVPO 1, F.T.H	BBVA, S.A.	06/2009	358	64
HIPOCAT 10 FTA	BBVA, S.A.	07/2006	1,500	253
HIPOCAT 11 FTA	BBVA, S.A.	03/2007	1,600	263
HIPOCAT 7 FTA	BBVA, S.A.	06/2004	1,400	192
HIPOCAT 8 FTA	BBVA, S.A.	05/2005	1,500	227
HIPOCAT 9 FTA	BBVA, S.A.	11/2005	1,000	176
TDA 19 FTA	BBVA, S.A.	03/2004	200	21
TDA 20-MIXTO, FTA	BBVA, S.A.	06/2004	100	12
TDA 23 FTA	BBVA, S.A.	03/2005	300	45
TDA TARRAGONA 1 FTA	BBVA, S.A.	12/2007	397	103
VELA CORPORATE 2018-1	BBVA, S.A.	12/2018	1,000	469
BBVA Consumo 10FT	BBVA, S.A.	07/2019	2,000	1,946
BBVA RMBS 19 FT	BBVA, S.A.	11/2019	2,000	1,983

			Millions of Euros	
Securitization fund (not consolidated)	**Company**	**Origination date**	**Total securitized exposures at the origination date**	**Total securitized exposures as of December 31, 2019 (*)**
FTA TDA-18 MIXTO	BBVA, S.A.	nov.-03	91	10
HIPOCAT 6 FTA	BBVA, S.A.	jul.-03	850	93

(*) Solvency scope.

APPENDIX VI. Details of the outstanding subordinated debt and preferred securities issued by the Bank or entities in the Group consolidated as of December 31, 2019, 2018 and 2017

Outstanding as of December 31, 2019, 2018, and 2017 of subordinated issues

		Millions of Euros				
Issuer entity and issued date	**Currency**	**December 2019**	**December 2018**	**December 2017**	**Prevailing Interest Rate as of December 31, 2019**	**Maturity Date**
Issues in Euros						
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.						
February-07	EUR	-	-	255	0.47%	16-Feb-22
March-08	EUR	125	125	125	6.03%	03-Mar-33
July-08	EUR	100	100	100	6.20%	4-Jul-23
February-14	EUR	-	1,500	1,500	7.00%	Perpetual
April-14	EUR	-	1,494	1,494	3.50%	11-Apr-24
February-15	EUR	1,500	1,500	1,500	6.75%	Perpetual
April-16	EUR	1,000	1,000	1,000	8.88%	Perpetual
February-17	EUR	1,000	1,000	997	3.50%	10-Feb-27
February-17	EUR	165	165	165	4.00%	24-Feb-32
May-17	EUR	150	150	150	2.54%	24-May-27
May-17	EUR	500	500	500	5.88%	Perpetual
September-18	EUR	1,000	990	-	5.88%	Perpetual
February-19	EUR	750	-	-	2.58%	22-Feb-29
March-19	EUR	1,000	-	-	6.00%	Perpetual
Different issues	EUR	379	384	386		
Subtotal	**EUR**	**7,668**	**8,906**	**8,171**		
BBVA SUBORDINATED CAPITAL, S.A.U. (*)						
October-05	EUR	-	-	99	0.47%	13-Oct-20
July-08	EUR	-	-	20	6.11%	22-Jul-18
Subtotal	**EUR**	**-**	**-**	**119**		
Total issues in euros	**EUR**	**7,668**	**8,906**	**8,290**		

(*) The issuances of BBVA Subordinated Capital, S.A.U. are jointly, severally and unconditionally guaranteed by the Bank.

Outstanding as of December 31, 2019, 2018, and 2017 of subordinated issues (continued)

		Millions of Euros				
Issuer entity and issued date	**Currency**	**December 2019**	**December 2018**	**December 2017**	**Prevailing Interest Rate as of December 31, 2019**	**Maturity Date**
Issues in foreign currency						
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.						
May-13	USD	-	-	1,251	9.00%	Perpetual
March-17	USD	107	105	100	5.70%	31-Mar-32
November-17	USD	890	873	834	6.13%	Perpetual
May-18	USD	265	260	-	5.25%	29-May-33
September-19	USD	890	-	-	6.50%	Perpetual
Subtotal	**USD**	**2,152**	**1,238**	**2,185**		
May-17	CHF	18	18	17	1.60%	24-May-27
Subtotal	**CHF**	**18**	**18**	**17**		
BBVA GLOBAL FINANCE, LTD. (*)						
December-95	USD	177	169	162	7.00%	01-Dec-25
Subtotal	**USD**	**177**	**169**	**162**		
BANCO BILBAO VIZCAYA ARGENTARIA, CHILE (**)						
Different issues	CLP	-	-	574		
Subtotal	**CLP**	**-**	**-**	**574**		
BBVA BANCOMER S.A INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER						
April-10	USD	667	874	831	7.25%	22-Apr-20
March-11	USD	667	1,092	1,039	6.50%	10-Mar-21
July-12	USD	1,333	1,311	1,247	6.75%	30-Sep-22
November-14	USD	178	175	166	5.35%	12-Nov-29
January-18	USD	889	874	-	5.13%	18-Jan-33
September-19	USD	667	-	-	5.875%	13-Sep-34
Subtotal	**USD**	**4,401**	**4,325**	**3,283**		
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A						
Different issues	USD	2	-	-		
Subtotal	**USD**	**2**	**-**	**-**		
BBVA PARAGUAY (***)						
November-14	USD	18	19	17	6.75%	05-Nov-21
November-15	USD	22	23	21	6.70%	18-Nov-22
Subtotal	**USD**	**40**	**42**	**38**		

(*) The issuances of BBVA Global Finance, Ltd, are guaranteed (secondary liability) by the Bank

(**) The €574 million subordinated issuances of BBVA Chile as of December 2017 were recorded in the heading "Liabilities included in disposal groups classified as held for sale".

(***) The amount of 2019 is recorded under the heading “Liabilities included in disposal groups classified as held for sale”.

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

Outstanding as of December 31, 2019, 2018, and 2017 of subordinated issues

Issuer entity and issued date (continued)	Currency	December 2019 (Millions of Euros)	December 2018 (Millions of Euros)	December 2017 (Millions of Euros)	Prevailing Interest Rate as of December 31, 2019	Maturity Date
COMPASS BANK						
March-05	USD	203	199	190	5.50%	01-Apr-20
March-06	USD	63	62	59	5.90%	01-Apr-26
April-15	USD	623	611	584	3.88%	10-Apr-25
Subtotal	**USD**	**889**	**872**	**833**		
BBVA COLOMBIA, S.A.						
September-11	COP	-	-	28	8.31%	19-Sep-18
September-11	COP	29	28	30	8.48%	19-Sep-21
September-11	COP	42	42	44	8.72%	19-Sep-26
February-13	COP	54	53	56	7.65%	19-Feb-23
February-13	COP	45	44	46	7.93%	19-Feb-28
November-14	COP	24	24	25	8.53%	26-Nov-29
November-14	COP	34	43	45	8.41%	26-Nov-34
Subtotal	**COP**	**229**	**233**	**273**		
April-15	USD	333	332	313	4.88%	21-Apr-25
Subtotal	**USD**	**333**	**332**	**313**		
BANCO CONTINENTAL, S.A.						
June-07	PEN	22	20	20	3.47%	18-Jun-32
November-07	PEN	19	18	18	3.56%	19-Nov-32
July-08	PEN	17	16	16	3.06%	08-Jul-23
September-08	PEN	18	17	17	3.09%	09-Sep-23
December-08	PEN	11	10	10	4.19%	15-Dec-33
Subtotal	**PEN**	**87**	**82**	**80**		
May-07	USD	18	17	17	6.00%	14-May-27
February-08	USD	18	18	17	6.47%	28-Feb-28
October-13	USD	41	40	38	6.53%	02-Oct-28
September-14	USD	269	252	244	5.25%	22-Sep-29
Subtotal	**USD**	**346**	**328**	**315**		
TURKIYE GARANTI BANKASI A.S.						
May-17	USD	664	652	623	6.13%	24-May-27
Subtotal	**USD**	**664**	**652**	**623**		
October-19	TRY	38	-	-	13.64%	07-Oct-29
Subtotal	**TRY**	**38**	**-**	**-**		
Total issues in foreign currencies(Millions of Euros)	**EUR**	**9,376**	**8,291**	**8,695**		

Outstanding as of December 31, 2019, 2018, and 2017 of subordinated issues (Millions of euros)

	December 2019		December 2018		December 2017	
Issuer entity and issued date	**Currency**	**Amount Issued**	**Currency**	**Amount Issued**	**Currency**	**Amount Issued**
BBVA COLOMBIA SA						
December-93	COP	20	COP	19	COP	-
BBVA International Preferred, S.A.U.						
July-07	GBP	37	GBP	35	GBP	35
Phoenix Loan Holdings Inc.						
November-00	USD	19	USD	18	USD	18
Caixa Terrasa Societat de Participacion						
August-05	EUR	28	EUR	52	EUR	51
Caixasabadell Preferents, S.A.						
July-06	EUR	56	EUR	56	EUR	56
Others	-	-	-	-	-	-

APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2019, 2018 and 2017.

December 2019 (Millions of Euros)

	USD	Mexican pesos	Turkish lira	Other foreign currencies	Total foreign currencies
Assets					
Cash, cash balances at central banks and other demand deposits	16,930	4,414	499	5,330	27,173
Financial assets held for trading	5,549	18,543	242	5,257	29,591
Non- trading financial assets mandatorily at fair value through profit or loss	900	3,509	4	116	4,529
Financial assets at fair value through comprehensive income	14,269	6,178	2,748	5,541	28,735
Financial assets at amortized cost	107,865	56,963	29,125	35,906	229,859
Joint ventures and associates	5	20	-	252	277
Tangible assets	921	2,214	1,050	1,026	5,211
Other assets	1,946	2,147	1,174	5,508	10,775
Total	**148,384**	**93,989**	**34,842**	**58,934**	**336,149**
Liabilities					
Financial liabilities held for trading	4,063	16,064	170	2,465	22,762
Financial liabilities at amortized cost	136,661	54,733	20,681	36,758	248,834
Other liabilities	5,555	6,757	881	8,172	21,365
Total	**146,280**	**77,555**	**21,732**	**47,394**	**292,961**

December 2018 (Millions of Euros)

	USD	Mexican pesos	Turkish lira	Other foreign currencies	Total foreign currencies
Assets					
Cash, cash balances at central banks and other demand deposits	15,184	6,869	476	5,547	28,076
Financial assets held for trading	3,133	15,500	366	3,614	22,614
Non- trading financial assets mandatorily at fair value through profit or loss	650	2,303	3	58	3,014
Financial assets at fair value through comprehensive income	16,566	4,704	3,031	2,931	27,232
Financial assets at amortized cost	101,366	47,550	28,094	34,075	211,085
Joint-ventures and associates	5	54	-	267	326
Tangible assets	670	1,964	1,007	850	4,490
Other assets	3,444	2,911	1,361	2,879	10,595
Total	**141,019**	**81,856**	**34,336**	**50,221**	**307,433**
Liabilities					
Financial liabilities held for trading	2,372	13,626	360	1,507	17,864
Financial liabilities at amortized cost	136,307	48,169	20,878	37,342	242,696
Other liabilities	3,874	6,081	750	7,200	17,904
Total	**142,552**	**67,876**	**21,987**	**46,049**	**278,464**

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

December 2017 (Millions of euros)

	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
Assets					
Cash, cash balances at central banks and other demand deposits	17,111	4,699	827	4,264	26,902
Financial assets held for trading	2,085	14,961	484	4,583	22,113
Available-for-sale financial assets	14,218	8,051	4,904	3,010	30,183
Loans and receivables	93,069	39,717	32,808	34,488	200,081
Investments in entities accounted for using the equity method	5	124	-	147	276
Tangible assets	659	1,953	1,289	673	4,573
Other assets	7,309	5,041	4,426	18,662	35,438
Total	**134,456**	**74,546**	**44,738**	**65,826**	**319,566**
Liabilities					
Financial liabilities held for trading	935	5,714	506	533	7,688
Financial liabilities at amortized cost	135,546	51,492	27,079	39,062	253,178
Other liabilities	3,907	8,720	1,039	16,593	30,259
Total	**140,387**	**65,926**	**28,623**	**56,188**	**291,124**

This Appendix is an integral part of Notes 2.2.16 of the condensed consolidated financial statements for the year ended December 31, 2019.

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

APPENDIX VIII. Consolidated income statements for the first and second half of 2019 and 2018

Consolidated income statements for the first and second half of 2019 and 2018

CONSOLIDATED INCOME STATEMENTS FOR THE FIRST AND SECOND HALF OF 2019 AND 2018

	Six months ended June 30, 2019	Six months ended December 31, 2019	Six months ended June 30, 2018	Six months ended December 31, 2018
Interest and other income	15,678	15,383	14,418	15,413
Interest expense	(6,691)	(6,168)	(5,828)	(6,411)
MARGEN DE INTERESES	**8,987**	**9,215**	**8,590**	**9,001**
Dividend income	103	60	83	74
Share of profit or loss of entities accounted for using the equity method	(19)	(23)	13	(20)
Fee and commission income	3,661	3,861	3,553	3,580
Fee and commission expense	(1,191)	(1,298)	(1,073)	(1,181)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	67	172	130	85
Gains (losses) on financial assets and liabilities held for trading, net	173	278	329	378
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	98	45	3	92
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(3)	(91)	107	35
Gains (losses) from hedge accounting, net	73	(14)	51	20
Exchange differences, net	134	452	74	(84)
Other operating income	337	334	554	396
Other operating expense	(995)	(1,011)	(1,062)	(1,039)
Income from insurance and reinsurance contracts	1,547	1,342	1,601	1,348
Expense from insurance and reinsurance contracts	(983)	(769)	(1,091)	(803)
GROSS INCOME	**11,989**	**12,553**	**11,863**	**11,884**
Administration costs	(5,084)	(5,219)	(5,297)	(5,197)
Personnel expense	(3,131)	(3,210)	(3,104)	(3,016)
Other administrative expense	(1,953)	(2,010)	(2,193)	(2,181)
Depreciation and amortization	(790)	(809)	(599)	(609)
Provisions or reversal of provisions	(261)	(356)	(184)	(189)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,777)	(2,374)	(1,606)	(2,375)
Financial assets measured at amortized cost	(1,772)	(2,297)	(1,618)	(2,362)
Financial assets at fair value through other comprehensive income	(5)	(77)	12	(13)
NET OPERATING INCOME	**4,077**	**3,794**	**4,177**	**3,513**
Impairment or reversal of impairment of investments in joint ventures and associates	-	(46)	-	-
Impairment or reversal of impairment on non-financial assets	(44)	(1,403)	-	(138)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	8	(11)	80	(2)
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	11	10	29	786
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**4,052**	**2,346**	**4,286**	**4,161**
Tax expense or income related to profit or loss from continuing operations	(1,136)	(917)	(1,184)	(1,035)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**2,916**	**1,429**	**3,102**	**3,125**
Profit (loss) after tax from discontinued operations, net	-	-	-	-
PROFIT FOR THE YEAR	**2,916**	**1,429**	**3,102**	**3,125**
Attributable to minority interest (non-controlling interest)	475	359	528	299
Attributable to owners of the parent	2,442	1,070	2,574	2,826

Euros	First semester 2019	Second semester 2019	First semester 2018	Second semester 2018
EARNINGS PER SHARE				
Basic earnings per share from continued operations	0.34	0.13	0.35	0.40
Diluted earnings per share from continued operations	0.34	0.13	0.35	0.40
Basic earnings per share from discontinued operations	-	-	-	-
Diluted earnings per share from discontinued operations	-	-	-	-

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

APPENDIX IX. Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

ASSETS (Millions of Euros)	2019	2018 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**18,419**	**30,922**
FINANCIAL ASSETS HELD FOR TRADING	**84,842**	**75,210**
Derivatives	32,988	30,217
Equity instruments	8,205	4,850
Debt securities	10,213	11,453
Loans and advances to central banks	484	2,073
Loans and advances to credit institutions	20,688	14,588
Loans and advances to customers	12,263	12,029
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**855**	**1,726**
Equity instruments	125	200
Debt securities	128	150
Loans and advances to central banks	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	602	1,376
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**-**
FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	**24,905**	**19,273**
Equity instruments	1,749	2,020
Debt securities	23,156	17,253
FINANCIAL ASSETS AT AMORTIZED COST	**225,369**	**219,127**
Debt securities	21,496	19,842
Loans and advances to central banks	5	5
Loans and advances to credit institutions	8,049	5,271
Loans and advances to customers	195,819	194,009
DERIVATIVES - HEDGE ACCOUNTING	**953**	**1,090**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**28**	**(21)**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**30,563**	**30,734**
Subsidiaries	29,445	29,634
Joint ventures	54	58
Associates	1,065	1,042
TANGIBLE ASSETS	**4,467**	**1,739**
Property, plant and equipment	4,384	1,737
For own use	4,384	1,737
Other assets leased out under an operating lease	-	-
Investment property	83	2
INTANGIBLE ASSETS	**905**	**898**
Goodwill	-	-
Other intangible assets	905	898
TAX ASSETS	**13,760**	**13,990**
Current tax assets	1,443	1,410
Deferred tax assets	12,317	12,580
OTHER ASSETS	**2,600**	**4,187**
Insurance contracts linked to pensions	2,096	2,032
Inventories	-	-
Other	504	2,155
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**967**	**1,065**
TOTAL ASSETS	408,634	399,940

(*) Presented for comparison purposes only.

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

LIABILITIES AND EQUITY (Millions of Euros)

	2019	2018 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**74,364**	**68,242**
Derivatives	32,503	29,748
Short positions	9,956	9,235
Deposits from central banks	1,867	5,149
Deposits from credit institutions	24,425	15,642
Customer deposits	5,612	8,468
Debt certificates	-	-
Other financial liabilities	-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,968**	**1,746**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	2,968	1,746
Debt certificates issued	-	-
Other financial liabilities	-	-
Subordinated liabilities	*-*	*-*
FINANCIAL LIABILITIES AT AMORTIZED COST	**285,260**	**283,157**
Deposits from central banks	24,390	26,605
Deposits from credit institutions	18,201	20,539
Customer deposits	191,461	192,419
Debt certificates	40,845	35,769
Other financial liabilities	10,362	7,825
Of which: Subordinated liabilities	*10,362*	*10,588*
DERIVATIVES - HEDGE ACCOUNTING	**1,471**	**1,068**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**-**	**-**
PROVISIONS	**4,616**	**5,125**
Pensions and other post employment defined benefit obligations	3,810	4,043
Other long term employee benefits	25	29
Provisions for taxes and other legal contingencies	359	348
Commitments and guarantees given	235	238
Other provisions	188	467
TAX LIABILITIES	**1,120**	**1,197**
Current tax liabilities	149	126
Deferred tax liabilities	972	1,071
OTHER LIABILITIES	**1,645**	**1,996**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**-**	**-**
TOTAL LIABILITIES	**371,445**	**362,531**

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LIABILITIES AND EQUITY (continued) (Millions of Euros)

	2019	2018 (*)
STOCKHOLDERS' FUNDS	**37,570**	**37,417**
Capital	**3,267**	**3,267**
Paid up capital	3,267	3,267
Unpaid capital which has been called up	-	-
Share premium	**23,992**	**23,992**
Equity instruments issued other than capital	**-**	**-**
Equity component of compound financial instruments	-	-
Other equity instruments issued	-	-
Other equity	**48**	**46**
Retained earnings	**9,107**	**8,829**
Revaluation reserves	**-**	**-**
Other reserves	**1**	**(30)**
Less: treasury shares	**-**	**(23)**
Profit or loss attributable to owners of the parent	**2,241**	**2,450**
Less: interim dividends	**(1,086)**	**(1,114)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**(381)**	**(8)**
Items that will not be reclassified to profit or loss	**(520)**	**(152)**
Actuarial gains (losses) on defined benefit pension plans	(75)	(78)
Non-current assets and disposal groups classified as held for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(469)	(190)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	24	116
Items that may be reclassified to profit or loss	**138**	**144**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedges (effective portion)	(196)	(116)
Fair value changes of debt instruments measured at fair value through other comprehensive income	335	260
Hedging instruments (non-designated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**37,189**	**37,409**
TOTAL EQUITY AND TOTAL LIABILITIES	**408,634**	**399,940**

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

	2019	2018 (*)
Loan commitments given	73,582	69,513
Financial guarantees given	9,086	9,197
Other commitments given	28,151	27,202

(*) Presented for comparison purposes only.

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

INCOME STATEMENTS (Millions of Euros)

	2019	2018 (*)
Interest income	5,011	4,877
Financial assets at fair value through other comprehensive income	285	394
Financial assets at amortized cost	4,373	4,293
Other interest income	353	190
Interest expense	(1,548)	(1,386)
NET INTEREST INCOME	**3,464**	**3,491**
Dividend income	3,304	3,115
Fee and commission income	2,144	2,083
Fee and commission expense	(447)	(407)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	107	109
Financial assets at amortized cost	35	3
Other financial assets and liabilities	72	106
Gains or (losses) on financial assets and liabilities held for trading, net	375	364
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other profit or loss	375	364
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	35	78
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other profit or loss	35	78
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(101)	(41)
Gains (losses) from hedge accounting, net	21	46
Exchange differences, net	(133)	(60)
Other operating income	125	108
Other operating expense	(487)	(474)
GROSS INCOME	**8,406**	**8,412**
Administrative expense	(3,881)	(4,077)
Personnel expense	(2,394)	(2,328)
Other administrative expense	(1,487)	(1,749)
Depreciation and amortization	(673)	(452)
Provisions or reversal of provisions	(391)	(566)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(254)	(267)
Financial assets measured at amortized cost	(254)	(278)
Financial assets at fair value through other comprehensive income	1	11
NET OPERATING INCOME	**3,208**	**3,050**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(889)	(1,537)
Impairment or reversal of impairment on non-financial assets	(78)	(27)
Tangible assets	(80)	(23)
Intangible assets	-	-
Other assets	2	(4)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	(1)	(16)
Negative goodwill recognized in profit or loss	-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(31)	1,004
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**2,208**	**2,474**
Tax expense or income related to profit or loss from continuing operations	33	(24)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**2,241**	**2,450**
Profit (loss) after tax from discontinued operations	-	-
PROFIT FOR THE YEAR	**2,241**	**2,450**

(*) Presented for comparison purposes only.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

	2019	2018 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**2,241**	**2,450**
OTHER RECOGNIZED INCOME (EXPENSE)	**(373)**	**(383)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(367)**	**(125)**
Actuarial gains (losses) from defined benefit pension plans	3	(48)
Non-current assets and disposal groups classified as held for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(271)	(199)
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(133)	166
Other valuation adjustments		
Income tax related to items not subject to reclassification to income statement	34	(45)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(6)**	**(257)**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	**-**	**-**
Translation gains (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	**(115)**	**29**
Valuation gains (losses) taken to equity	(115)	29
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments (non-designated elements)	-	-
Valuation gains (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt securities at fair value through other comprehensive income	**107**	**(396)**
Valuation gains (losses) taken to equity	173	(292)
Transferred to profit or loss	(66)	(104)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	**-**	**-**
Income tax relating to items subject to reclassification to income statements	**2**	**110**
TOTAL RECOGNIZED INCOME/EXPENSE	**1,868**	**2,067**

(*) Presented for comparison purposes only.

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

Statement of changes in equity for the year ended December 31, 2019 of BBVA, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2019	Capital	Share premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2019	**3,267**	**23,992**	**-**	**46**	**8,829**	**-**	**(30)**	**(23)**	**2,450**	**(1,114)**	**(8)**	**37,409**
Effect of changes in accounting policies	-	-	-	-	-	-	1	-	-	-	-	1
Adjusted initial balance	**3,267**	**23,992**	**-**	**46**	**8,829**	**-**	**(29)**	**(23)**	**2,450**	**(1,114)**	**(8)**	**37,410**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,241**	**-**	**(373)**	**1,868**
Other changes in equity	**-**	**-**	**-**	**1**	**278**	**-**	**29**	**23**	**(2,450)**	**28**	**-**	**(2,089)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,067)	-	-	-	-	(1,086)	-	(2,153)
Purchase of treasury shares	-	-	-	-	-	-	-	(933)	-	-	-	(933)
Sale or cancellation of treasury shares	-	-	-	-	-	-	36	956	-	-	-	993
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	(1)	1,345	-	(8)	-	(2,450)	1,114	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	2	-	-	1	-	-	-	-	3
Balances as of December 31, 2019	**3,267**	**23,992**	**-**	**48**	**9,107**	**-**	**1**	**-**	**2,241**	**(1,086)**	**(381)**	**37,189**

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

Statement of changes in equity for the year ended December 31, 2018 of BBVA, S.A.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2018 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2018	**3,267**	**23,992**	**47**	**-**	**-**	**12**	**9,445**	**-**	**2,083**	**(1,045)**	**409**	**38,211**
Effect of changes in accounting policies	-	-	(47)	47	8,766	(12)	(9,421)	-	129	(129)	(35)	(702)
Adjusted initial balance	**3,267**	**23,992**	**-**	**47**	**8,766**	**-**	**24**	**-**	**2,212**	**(1,174)**	**374**	**37,509**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,450**	**-**	**(382)**	**2,067**
Other changes in equity	**-**	**-**	**-**	**(1)**	**63**	**-**	**(54)**	**(23)**	**(2,212)**	**60**	**-**	**(2,167)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,000)	-	-	-	-	(1,114)	-	(2,114)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,288)	-	-	-	(1,288)
Sale or cancellation of treasury shares	-	-	-	-	-	-	(5)	1,265	-	-	-	1,260
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	(1)	1,063	-	(25)	-	(2,212)	1,174	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	(23)	-	-	-	-	(23)
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-	(1)	-	-	-	-	(1)
Balances as of December 31, 2018	**3,267**	**23,992**	**-**	**46**	**8,829**	**-**	**(30)**	**(23)**	**2,450**	**(1,114)**	**(8)**	**37,409**

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CASH FLOWS STATEMENTS (Millions of Euros)

	2019	2018 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4+5)	**(9,761)**	**17,079**
1.Profit for the year	**2,241**	**2,450**
2.Adjustments to obtain the cash flow from operating activities:	**1,755**	**1,227**
Depreciation and amortization	673	452
Other adjustments	1,082	775
3.Net increase/decrease in operating assets	**(19,440)**	**10,926**
Financial assets held for trading	(9,632)	2,178
Non-trading financial assets mandatorily at fair value through profit or loss	871	3,087
Other financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(5,632)	3,409
Financial assets at amortized cost	(6,242)	3,081
Other operating assets	1,195	(829)
4.Net increase/decrease in operating liabilities	**5,716**	**2,451**
Financial liabilities held for trading	6,122	(2,718)
Other financial liabilities designated at fair value through profit or loss	1,222	754
Financial liabilities at amortized cost	(968)	5,735
Other operating liabilities	(660)	(1,320)
5.Collection/Payments for income tax	**(33)**	**24**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	**(373)**	**(2,049)**
1.Investment	**(904)**	**(7,081)**
Tangible assets	(119)	(372)
Intangible assets	(317)	(314)
Investments in subsidiaries, joint ventures and associates	(196)	(6,083)
Other business units	-	-
Non-current assets and disposal groups classified as held for sale and associated liabilities	(272)	(312)
Other settlements related to investing activities	-	-
2.Divestments	**531**	**5,032**
Tangible assets	10	50
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	103	1,678
Other business units	-	-
Non-current assets classified as held for sale and associated liabilities	418	3,304
Other collections related to investing activities	-	-

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CASH FLOWS STATEMENTS (Continued) (Millions of Euros)

	2019	2018 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(2,314)**	**(2,468)**
1. Payments	**(6,114)**	**(5,006)**
Dividends	(2,153)	(2,114)
Subordinated liabilities	(3,005)	(1,627)
Treasury stock amortization	-	-
Treasury stock acquisition	(956)	(1,265)
Other items relating to financing activities	-	-
2. Collections	**3,799**	**2,538**
Subordinated liabilities	2,640	1,262
Common stock increase	-	-
Treasury stock disposal	993	1,260
Other items relating to financing activities	167	16
D) EFFECT OF EXCHANGE RATE CHANGES	**(54)**	**(143)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**(12,503)**	**12,418**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**30,922**	**18,503**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**18,419**	**30,922**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)

	2019	2018 (*)
Cash	1,046	975
Balance of cash equivalent in central banks	15,417	27,290
Other financial assets	1,956	2,656
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18,419	30,922

(*) Presented for comparison purposes only.

This Appendix is an integral part of Notes 2.1 of the condensed consolidated financial statements for the year ended December 31, 2019.

APPENDIX X. Information on data derived from the special accounting registry and other information bonds

The Bank has implemented policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based on principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of April, 24, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of mortgage bonds, mortgage participations or mortgage transfer certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of December 31, 2019 and 2018 is shown below.

b.1) Ongoing operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

	December 2019	December 2018
Nominal value of outstanding loans and mortgage loans	92,757	97,519
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates	*(30,173)*	*(29,781)*
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**62,584**	**67,738**
Of which: Loans and mortgage loans which would be eligible if the calculation limits set forth in article 12 of Spanish Royal Decree 716/2009 were not applied.	*44,759*	*45,664*
Of which: Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	*(1,191)*	*(1,240)*
Eligible loans and mortgage loans that, according to the criteria set forth in article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**43,568**	**44,424**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	34,854	35,539
Issued Mortgage-covered bonds	**32,422**	**24,301**
Outstanding Mortgage-covered bonds	**14,832**	**15,207**
Capacity to issue mortgage-covered bonds	2,432	11,238
Memorandum items:		
Percentage of overcollateralization across the portfolio	*193%*	*279%*
Percentage of overcollateralization across the eligible used portfolio	*134%*	*183%*
Nominal value of available sums (committed and unused) from all loans and mortgage loans	5,841	5,267
Of which: Potentially eligible	*4,935*	*4,517*
Of which: Ineligible	*906*	*750*
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree	9,989	12,827
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds	-	-

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Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

		December 2019	December 2018
Total loans	**(1)**	**92,757**	**97,519**
Issued mortgage participations	**(2)**	**4,494**	**4,360**
Of which: recognized on the balance sheet		*3,213*	*2,927*
Issued mortgage transfer certificates	**(3)**	**25,679**	**25,422**
Of which: recognized on the balance sheet		*22,899*	*23,590*
Mortgage loans as collateral of mortgages bonds	**(4)**	**-**	**-**
Loans supporting the issuance of mortgage-covered bonds	**1-2-3-4**	**62,584**	**67,738**
Non-eligible loans		17,825	22,074
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		9,989	12,827
Other		7,836	9,247
Eligible loans		44,759	45,664
That cannot be used as collateral for issuances		1,191	1,240
That can be used as collateral for issuances		43,568	44,424
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		43,568	44,424

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of Euros)

	December 2019			December 2018		
	Total mortgage loans	**Eligible loans(*)**	**Eligible that can be used as collateral for issuances (**)**	**Total mortgage loans**	**Eligible loans(*)**	**Eligible that can be used as collateral for issuances (**)**
TOTAL	**62,584**	**44,759**	**43,568**	**67,738**	**45,664**	**44,424**
By source of the operations						
Originated by the bank	57,541	40,462	39,316	62,170	40,962	39,799
Subrogated by other institutions	838	650	644	797	664	660
Rest	4,205	3,647	3,608	4,771	4,038	3,965
By Currency						
In Euros	62,263	44,564	43,373	67,255	45,362	44,122
In foreign currency	321	195	195	483	302	302
By payment situation						
Normal payment	53,983	41,331	40,608	56,621	41,688	41,057
Other situations	8,601	3,428	2,960	11,117	3,976	3,367
By residual maturity						
Up to 10 years	13,788	10,376	10,071	15,169	11,226	10,808
10 to 20 years	26,923	22,521	21,836	28,317	22,907	22,344
20 to 30 years	17,528	10,562	10,398	18,195	9,973	9,752
Over 30 years	4,345	1,300	1,263	6,057	1,558	1,520
By Interest rate						
Fixed rate	11,408	6,768	6,720	10,760	5,545	5,467
Floating rate	51,176	37,991	36,848	56,978	40,119	38,957
Mixed rate	-	-	-	-	-	-
By target of operations	**-**	**-**	**-**			
For business activity	11,709	6,825	5,918	13,308	7,107	6,196
Of which: public housing	*2,333*	*1,529*	*743*	*2,770*	*1,455*	*682*
Of which: For households	*50,875*	*37,934*	*37,650*	*54,430*	*38,557*	*38,228*
By type of guarantee						
Secured by completed assets/buildings	**60,638**	**43,823**	**42,920**	**65,535**	**44,912**	**43,884**
Residential use	52,831	39,329	38,594	56,880	40,098	39,276
Of which: public housing	*4,039*	*3,238*	*3,094*	*4,464*	*3,423*	*3,278*
Commercial	7,779	4,484	4,316	8,618	4,803	4,597
Other	28	10	10	37	11	11
Secured by assets/buildings under construction	**1,103**	**671**	**446**	**1,014**	**369**	**261**
Residential use	862	560	335	721	234	150
Of which: public housing	*5*	*1*	*1*	*18*	*1*	*1*
Commercial	241	111	111	293	135	111
Other	-	-	-	-	-	-
Secured by land	**843**	**265**	**202**	**1,189**	**383**	**279**
Urban	321	98	43	478	134	47
Non-urban	522	167	159	711	249	232

(*) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

(**) Taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

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December 2019. Nominal value of the total mortgage loans (Millions of Euros)

	Loan to value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
Home mortgages	13,713	14,821	11,562	-	40,096
Other mortgages	2,484	2,179			4,663
Total	**16,197**	**17,000**	**11,562**	**-**	**44,759**

December 2018. Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
Home mortgages	13,792	15,459	11,704	-	40,955
Other mortgages	2,506	2,203			4,709
Total	**16,298**	**17,662**	**11,704**		**45,664**

Eligible and non-eligible mortgage loans. Changes of the nominal values in the year (Millions of Euros)

	December 2019		December 2018	
	Eligible (*)	Non-eligible	Eligible (*)	Non-eligible
Balance at the beginning	**45,664**	**22,074**	**48,003**	**24,762**
Retirements	**7,447**	**8,498**	**7,994**	**7,483**
Held-to-maturity cancellations	4,363	1,062	4,425	1,883
Anticipated cancellations	2,231	2,054	2,227	2,625
Subrogations to other institutions	22	10	25	13
Rest	831	5,372	1,317	2,962
Additions	**6,542**	**4,249**	**5,655**	**4,795**
Originated by the bank	3,219	3,235	2,875	3,376
Subrogations to other institutions	4	2	15	7
Rest	3,319	1,012	2,765	1,412
Balance at the end	**44,759**	**17,825**	**45,664**	**22,074**

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009.

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	December 2019	December 2018
Potentially eligible	4,935	4,517
Non eligible	906	750
Total	**5,841**	**5,267**

b.2) Liabilities operations

Issued mortgage bonds (Millions of Euros)

	December 2019		December 2018	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	-		-	
Mortgage-covered bonds	**32,422**		**24,301**	
Of which: Not recognized as liabilities on balance	14,832		9,093	
Of Which: Outstanding	17,590		15,207	
Debt certificates issued through public offer	12,501		12,501	
Residual maturity up to 1 year	2,051		-	
Residual maturity over 1 year and less than 2 years	2,750		2,051	
Residual maturity over 2 years and less than 3 years	1,250		2,750	
Residual maturity over 3 years and less than 5 years	3,250		3,500	
Residual maturity over 5 years and less than 10 years	3,000		4,000	
Residual maturity over 10 years	200		200	
Debt certificates issued without public offer	17,662		9,161	
Residual maturity up to 1 year	50		-	
Residual maturity over 1 year and less than 2 years	1,500		50	
Residual maturity over 2 years and less than 3 years	2,000		1,500	
Residual maturity over 3 years and less than 5 years	9,000		2,500	
Residual maturity over 5 years and less than 10 years	5,112		5,111	
Residual maturity over 10 years	-		-	
Deposits	2,260		2,640	
Residual maturity up to 1 year	246		380	
Residual maturity over 1 year and less than 2 years	425		246	
Residual maturity over 2 years and less than 3 years	368		425	
Residual maturity over 3 years and less than 5 years	100		468	
Residual maturity over 5 years and less than 10 years	471		471	
Residual maturity over 10 years	650		650	
Mortgage participations	**3,213**	**267**	**2,927**	**269**
Issued through public offer	3,213	267	2,927	269
Issued without public offer	-	-	-	-
Mortgage transfer certificates	**22,899**	**267**	**23,590**	**269**
Issued through public offer	22,899	267	23,590	269
Issued without public offer	-	-	-	-

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2017 as of December 31, 2019 and 2018.

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)	Nominal value December 2019	Nominal value December 2018
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,621	3,369
Minus: Loans that support the issuance of internationalization bonds	-	-
Minus: NPL to be deducted in the calculation of the issuance limit, according to article 13 del Royal Decree 579/2014	1	4
Total loans included in the base of all issuance limit	**3,620**	**3,365**

c.2) Liabilities operations

Internationalization covered bonds (Millions of Euros)	Nominal value December 2019	Nominal value December 2018
(1) Debt certificates issued through public offer (a)	**1,500**	**1,500**
Of which: Treasury shares	*1,500*	*1,500*
Residual maturity up to 1 year	-	1,500
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	1,500	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(2) Debt certificates issued without public offer (a)	-	-
Of which: Treasury shares	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(3) Deposits (b)	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
TOTAL: (1) + (2) + (3)	**1,500**	**1,500**

	Percentage	Percentage
Coverage ratio of internationalization covered bonds on loans (c)	**41%**	**45%**

(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Nominative bonds.

(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

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

d) Territorial bonds

d.1) Assets operations

December 2019. Loans that serves as collateral for the territorial bonds (Millions of euros)

	Nominal value (a)		
	Total	Spanish residents	Residents in other countries of the European Economic Area
Central governments	1,473	1,345	128
Regional governments	7,691	7,662	29
Local governments	4,151	4,151	-
Total loans	**13,315**	**13,158**	**157**

(a) Principal pending payment of loans.

December 2018. Loans that serves as collateral for the territorial bonds (Millions of Euros)

	Nominal value (a)		
	Total	Spanish residents	Residents in other countries of the European Economic Area
Central governments	1,637	1,592	45
Regional governments	8,363	8,333	30
Local governments	5,145	5,145	-
Total loans	**15,145**	**15,070**	**75**

(a) Principal pending payment of loans.

d.2) Liabilities operations

Territorial bonds (Millions of Euros)

	Nominal value December 2019	Nominal value December 2018
Territorial bonds issued (a)	**8,040**	**7,540**
Issued through a public offering	8,040	7,540
Of which: Treasury stock	*7,540*	*7,040*
Residual maturity up to 1 year	4,500	-
Residual maturity over 1 year and less than 2 years	2,000	4,500
Residual maturity over 2 years and less than 3 years	840	2,000
Residual maturity over 3 years and less than 5 years	700	1,040
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
Other issuances	-	-
Of which: Treasury stock	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
	Percentage	**Percentage**
Coverage ratio of the territorial bonds on loans (b)	**60%**	**50%**

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

This Appendix is an integral part of Notes 14.3 and 22.4 of the condensed consolidated financial statements for the year ended December 31, 2019.

APPENDIX XI. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of December 31, 2019, 2018 and 2017 is as follows:

DECEMBER 2019 BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	73	93	64	64	49	-	11
Other financial corporations and individual entrepreneurs (financial business)	387	8	62	4	3	-	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	68,121	5,085	18,283	3,646	1,810	178	3,252
Of which: financing the construction and property (including land)	*1,131*	*400*	*1,314*	*688*	*393*	*32*	*428*
Other households (*)	173,403	1,510	67,513	5,827	4,414	33	1,519
Total	**241,984**	**6,696**	**85,922**	**9,541**	**6,276**	**211**	**4,788**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	45	41	30	21	16	-	7
Other financial corporations and individual entrepreneurs (financial business)	241	6	30	2	1	-	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	39,380	3,148	11,706	2,466	1,020	50	2,923
Of which: financing the construction and property (including land)	*819*	*321*	*790*	*445*	*210*	*4*	*392*
Other households (*)	96,429	758	34,463	2,908	2,006	17	1,229
Total	**136,095**	**3,954**	**46,229**	**5,396**	**3,044**	**67**	**4,164**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €624 million of collective loss allowances and €4,164 million of specific loss allowances.

DECEMBER 2018 BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	75	111	46	64	52	-	15
Other financial corporations and individual entrepreneurs (financial business)	252	13	29.360	5	3	-	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	44.271	4,483	15,493	4,177	2,200	221	3,148
Of which: financing the construction and property (including land)	*734*	*258*	*1,627*	*962*	*501*	*12*	*517*
Other households (*)	193.061	1,326	355.466	6,990	5,083	150	1,716
Total	**237.659**	**5,933**	**400,365**	**11,236**	**7,338**	**371**	**4,885**

Of which: IMPAIRED

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	46	65	12	16	8	-	10
Other financial corporations and individual entrepreneurs (financial business)	133	4	29.320	4	2	-	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	25.420	2,723	9,922	2,777	1,192	100	2,773
Of which: financing the construction and property (including land)	*631*	*200*	*1,145*	*656*	*254*	*1*	*477*
Other households (*)	116.916	741	42.403	3,673	2,435	26	1,414
Total	**142.515**	**3,533**	**81,657**	**6,470**	**3,636**	**126**	**4,202**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €682 million of collective loss allowances and €4,202 million of specific loss allowances.

DECEMBER 2017 BALANCE OF FORBEARANCE (Millions of Euros)

TOTAL

	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	69	105	135	430	112	302	18
Other financial corporations and individual entrepreneurs (financial business)	4,727	36	93	8	1	-	21
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	113,464	4,672	17,890	6,258	3,182	251	3,579
Of which: financing the construction and property (including land)	*1,812*	*398*	*3,495*	*2,345*	*1,995*	-	*1,327*
Other households (*)	163,101	1,325	109,776	8,477	6,891	18	1,373
Total	**281,361**	**6,138**	**127,894**	**15,173**	**10,186**	**571**	**4,991**

Of which: IMPAIRED

	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	50	72	45	29	22	-	16
Other financial corporations and individual entrepreneurs (financial business)	126	5	16	2	-	-	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	95,427	2,791	10,994	4,144	1,983	66	3,361
Of which: financing the construction and property (including land)	*1,538*	*208*	*2,779*	*1,961*	*1,273*	-	*1,282*
Other households (*)	105,468	747	47,612	4,330	3,270	6	1,231
Total	**201,071**	**3,615**	**58,667**	**8,506**	**5,275**	**72**	**4,612**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €378 million of collective loss allowances and €4,612 million of specific loss allowances.

In addition to the restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in the accounting regulation that applies. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve relationships with clients) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of December 31, 2019, 2018 and 2017:

Forbearance operations. Breakdown by segments (Millions of Euros)

	December 2019	December 2018	December 2017
Credit institutions	-	-	-
Central governments	147	160	518
Other financial corporations and individual entrepreneurs (financial activity)	6	13	24
Non-financial corporations and individual entrepreneurs (non-financial activity)	5,479	5,512	7,351
Of which: Financing the construction and property development (including land)	*660*	*702*	*1,416*
Households	5,818	6,600	8,428
Total carrying amount	**11,450**	**12,284**	**16,321**
Financing classified as non-current assets and disposal groups held for sale	-	-	-

NPL ratio by type of renegotiated loan

The non-performing ratio of the renegotiated portfolio is defined as the impaired balance of renegotiated loans that shows signs of difficulties as of the closing of the reporting period, divided by the total payment outstanding in that portfolio.

As of December 31, 2019 and December 31, 2018, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

December 2019. NPL ratio renegotiated loan portfolio

	Ratio of impaired loans - past due
General governments	39%
Commercial	64%
Of which: Construction and developer	70%
Other consumer	50%

December 2018. NPL ratio renegotiated loan portfolio

	Ratio of impaired loans - past due
General governments	47%
Commercial	64%
Of which: Construction and developer	*70%*
Other consumer	53%

b) Qualitative information on the concentration of risk by activity and guarantees

Loans and advances to customers by activity (carrying amount)

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

December 2019 (Millions of Euros)

				Collateralized loans and receivables -Loans and advances to customers. Loan to value				
	Total (*)	Mortgage loans	Secured loans	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	29,257	1,067	10,886	4,914	1,510	1,077	3,651	801
Other financial institutions	23,114	281	13,699	1,856	219	103	11,688	115
Non-financial institutions and individual entrepreneurs	176,474	26,608	30,313	22,901	10,082	8,478	5,270	10,190
Construction and property development	15,171	4,497	2,114	2,313	1,765	1,476	457	600
Construction of civil works	7,146	756	468	499	248	152	106	219
Other purposes	154,157	21,355	27,731	20,089	8,069	6,850	4,707	9,371
Large companies	104,661	8,665	19,058	12,647	3,620	3,828	2,727	4,901
SMEs (**) and individual entrepreneurs	49,496	12,690	8,673	7,442	4,449	3,022	1,980	4,470
Rest of households and NPISHs (***)	167,117	108,031	5,582	23,057	27,714	32,625	20,529	9,688
Housing	110,178	104,796	2,332	20,831	26,639	31,707	18,701	9,250
Consumption	46,356	507	2,075	450	316	174	1,502	140
Other purposes	10,583	2,728	1,175	1,776	759	744	326	298
TOTAL	**395,962**	**135,987**	**60,480**	**52,728**	**39,525**	**42,283**	**41,138**	**20,794**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,450*	*7,396*	*256*	*1,547*	*1,427*	*1,572*	*1,247*	*1,859*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises.

(***) Nonprofit institutions serving households.

(****) Net of provisions.

December 2018 (Millions of Euros)

				Collateralized loans and receivables -Loans and advances to customers. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
General governments	30,488	1,056	7,750	1,729	1,856	1,119	3,514	588
Other financial institutions	20,802	233	12,549	1,167	221	93	11,209	92
Non-financial institutions and individual entrepreneurs	173,493	29,001	32,371	25,211	11,121	9,793	5,087	10,160
Construction and property development	14,323	5,226	2,539	1,979	2,556	2,140	486	605
Construction of civil works	7,775	1,082	620	703	285	195	200	319
Other purposes	151,394	22,694	29,212	22,529	8,281	7,459	4,401	9,235
Large companies	97,132	9,912	19,069	13,918	3,979	4,019	2,245	4,820
SMEs (**) and individual entrepreneurs	54,262	12,782	10,143	8,611	4,302	3,440	2,156	4,416
Rest of households and NPISHs (***)	163,068	109,578	5,854	21,974	27,860	33,200	21,490	10,908
Housing	111,007	105,817	2,419	19,981	26,384	32,122	19,345	10,404
Consumption	40,124	522	2,600	489	587	306	1,597	142
Other purposes	11,938	3,239	835	1,505	888	772	547	362
TOTAL	**387,850**	**139,868**	**58,524**	**50,082**	**41,058**	**44,206**	**41,300**	**21,747**
MEMORANDUM:								
Forbearance operations (****)	*12,284*	*8,325*	*523*	*1,508*	*1,421*	*1,769*	*1,527*	*2,623*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

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December 2017 (Millions of Euros)

				Collateralized credit risk. Loan to value				
	Total (*)	Mortgage loans	Secured loans	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	32,294	998	7,167	1,540	179	475	532	5,440
Other financial institutions	18,669	319	12,910	314	277	106	11,349	1,183
Non-financial institutions and individual entrepreneurs	172,338	39,722	24,793	11,697	5,878	5,183	9,167	32,591
Construction and property development	14,599	10,664	1,066	1,518	876	1,049	1,313	6,974
Construction of civil works	7,733	1,404	521	449	358	289	162	667
Other purposes	150,006	27,654	23,206	9,729	4,644	3,845	7,692	24,950
Large companies	93,604	10,513	16,868	2,769	1,252	1,023	3,631	18,706
SMEs (**) and individual entrepreneurs	56,402	17,142	6,338	6,960	3,392	2,823	4,061	6,244
Rest of households and NPISHs (***)	165,024	114,558	8,395	19,762	22,807	25,595	22,122	32,667
Housing	114,709	111,604	128	18,251	22,222	25,029	21,154	25,076
Consumption	40,705	670	4,784	1,058	256	192	316	3,632
Other purposes	9,609	2,284	3,483	452	330	374	652	3,959
TOTAL	**388,325**	**155,597**	**53,266**	**33,312**	**29,142**	**31,359**	**43,170**	**71,882**
MEMORANDUM:								
Forbearance operations (****)	*16,321*	*6,584*	*5,117*	*1,485*	*1,315*	*1,871*	*1,580*	*5,451*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

c) Information on the concentration of risk by activity and geographical areas

December 2019 (Millions of Euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	109,471	23,127	40,332	31,851	14,161
General governments	134,929	56,478	9,861	57,174	11,416
Central Administration	96,639	39,573	9,505	36,287	11,274
Other	38,290	16,905	356	20,887	142
Other financial institutions	52,406	13,822	19,828	15,749	3,007
Non-financial institutions and individual entrepreneurs	232,034	70,762	25,963	92,198	43,111
Construction and property development	18,915	3,538	361	11,688	3,328
Construction of civil works	10,607	5,403	1,303	1,431	2,470
Other purposes	202,512	61,821	24,299	79,079	37,313
Large companies	147,643	37,402	23,310	61,858	25,073
SMEs and individual entrepreneurs	54,869	24,419	989	17,221	12,240
Other households and NPISHs	167,379	90,829	3,180	62,098	11,272
Housing	110,178	75,754	725	30,557	3,142
Consumer	46,358	11,954	675	25,897	7,832
Other purposes	10,843	3,121	1,780	5,644	298
TOTAL	**696,219**	**255,018**	**99,165**	**259,070**	**82,967**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given and contingent risks". The amounts included in this table are net of loss allowances.

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December 2018 (Millions of Euros)

	TOTAL (*)	Spain	European Union Other	America	Other
Credit institutions	113,978	35,728	33,440	31,234	13,575
General governments	123,382	53,686	11,081	50,092	8,523
Central Administration	87,611	35,691	10,756	32,735	8,428
Other	35,771	17,995	325	17,357	95
Other financial institutions	49,166	13,784	17,977	15,345	2,061
Non-financial institutions and individual entrepreneurs	226,487	70,536	24,565	87,419	43,967
Construction and property development	17,697	3,497	244	10,113	3,843
Construction of civil works	11,430	5,789	1,535	1,762	2,343
Other purposes	197,361	61,250	22,786	75,543	37,781
Large companies	137,150	36,964	22,114	53,423	24,649
SMEs and individual entrepreneurs	60,211	24,286	672	22,120	13,132
Other households and NPISHs	163,443	91,977	3,383	56,777	11,306
Housing	111,007	78,414	765	28,034	3,794
Consumer	40,124	10,303	629	22,036	7,155
Other purposes	12,312	3,259	1,989	6,707	357
TOTAL	676,456	265,710	90,447	240,867	79,432

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: “Loans and advances to credit institutions”, “Loans and advances”, “Debt securities”, “Equity instruments”, “Other equity securities”, “Derivatives and hedging derivatives”, “Investments in subsidiaries, joint ventures and associates” and “Guarantees given and contingent risks”. The amounts included in this table are net of loss allowances.

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December 2017 (Millions of Euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	70,141	10,606	34,623	13,490	11,422
General governments	121,863	55,391	11,940	44,191	10,341
Central Administration	83,673	35,597	11,625	26,211	10,240
Other	38,190	19,794	316	17,980	101
Other financial institutions	48,000	19,175	14,283	12,469	2,074
Non-financial institutions and individual entrepreneurs	228,227	78,507	20,485	80,777	48,458
Construction and property development	18,619	4,623	339	8,834	4,822
Construction of civil works	12,348	6,936	1,302	2,267	1,843
Other purposes	197,260	66,948	18,843	69,676	41,793
Large companies	134,454	43,286	17,470	48,016	25,681
SMEs and individual entrepreneurs	62,807	23,662	1,373	21,660	16,112
Other households and NPISHs	165,667	93,774	3,609	53,615	14,669
Housing	114,710	81,815	2,720	24,815	5,361
Consumer	40,705	8,711	649	22,759	8,587
Other purposes	10,251	3,248	241	6,041	721
TOTAL	**633,899**	**257,453**	**84,940**	**204,542**	**86,964**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given and contingent risks". The amounts included in this table are net of loss allowances.

This Appendix is an integral part of Note 7.1 and 55.2 of the condensed consolidated financial statements for the year ended December 31, 2019.

APPENDIX XII. Additional information on risk concentration

a) Sovereign risk exposure

The table below provides a breakdown of exposure to financial assets (excluding derivatives and equity instruments), as of December 31, 2019, 2018 and 2017 by type of counterparty and the country of residence of such counterparty. The below figures do not take into account accumulated other *comprehensive* income, loss allowances or loan-loss provisions:

Risk exposure by countries (Millions of Euros)

	Sovereign risk		
	December 2019	**December 2018**	**December 2017**
Spain	55,575	52,970	54,625
Italy	7,810	9,249	9,827
Turkey	7,999	7,998	9,825
Portugal	924	529	722
Germany	224	362	259
United Kingdom	43	51	41
France	93	122	383
Netherlands	1	9	16
Romania	480	493	417
Rest of Europe	142	197	229
Subtotal Europe	**73,291**	**71,981**	**76,343**
Mexico	32,630	26,562	25,114
The United States	19,802	18,645	14,059
Colombia	1,828	2,577	2,320
Argentina	1,557	628	1,192
Peru	582	750	535
Venezuela	7	1	137
Rest of countries	3,726	955	1,761
Subtotal rest of countries	**60,131**	**50,118**	**45,119**
Total exposure to financial instruments	**133,421**	**122,099**	**121,462**

The exposure to sovereign risk set out in the above table includes positions held in government debt securities in countries where the Group operates. They are used for ALCO's management of the interest-rate risk on the balance sheets of the Group's entities in these countries, as well as for hedging of pension and insurance commitments by insurance entities within the BBVA Group.

The table below provides a breakdown of the exposure of the Group's credit institutions to sovereign risk as of December 31, 2019 by type of financial instrument and the country of residence of the counterparty, under EBA (European Banking Authority) requirements:

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

Exposure to Sovereign Risk by European Union Countries. December 2019 (Millions of Euros)

	Debt securities	Loans and advances	Derivatives - Direct exposure			Derivatives - Indirect exposure			Total	%
			Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	23,925	26,980	800	30	(17)	(877)	1,191	(2,195)	49,836	39%
Italy	4,887	3,183	-	-	-	(722)	287	(1,088)	6,547	5%
Portugal	1,854	180	-	-	(77)	377	1,788	(1,347)	2,775	2%
Germany	486	-	-	-	-	199	6	(16)	675	1%
United Kingdom	-	37	-	-	-	-	-	-	37	0%
France	468	35	-	-	-	388	208	(17)	1,082	1%
Netherlands	-	-	-	-	-	-	-	-	-	0%
Romania	479	-	-	-	-	-	-	-	480	0%
Rest of European Union	370	61	142	-	(2)	(35)	2	(2)	537	0%
Total Exposure to Sovereign Counterparties (European Union)	**32,467**	**30,476**	**942**	**30**	**(96)**	**(670)**	**3,482**	**(4,665)**	**61,967**	**48%**
Mexico	21,399	8,414	1,492	2	(104)	8	-	(6)	31,204	24%
The United States	8,741	11,023	29	1	-	112	45	(45)	19,906	15%
Turkey	3,739	4,234	-	-	-	(7)	-	(8)	7,957	6%
Rest of other countries	5,376	2,212	2,463	46	(200)	(572)	3,593	(4,766)	8,152	6%
Total other countries	**39,255**	**25,883**	**3,983**	**49**	**(304)**	**(459)**	**3,638**	**(4,826)**	**67,219**	**52%**
Total	**71,722**	**56,359**	**4,925**	**79**	**(400)**	**(1,129)**	**7,120**	**(9,491)**	**129,186**	**100%**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of European countries of the Group's insurance companies (€11,614 million as of December 31, 2019) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

b) Concentration of risk on activities in the real-estate market in Spain

Quantitative information on activities in the real-estate market in Spain

The following quantitative information on real-estate activities in Spain has been prepared using the reporting models required by Bank of Spain Circular 5/2011, of November 30.

As of December 31, 2019, 2018 and 2017, exposure to the construction sector and real-estate activities in Spain stood at €9,943 €11,045 and €11,981 million, respectively. Of that amount, risk from loans to construction and real-estate development activities accounted for €2,649, €3,183 and €5,224 million, respectively, representing 1.4%, 1.7% and 2.9% of loans and advances to customers of the balance of business in Spain (excluding the general governments) and 0.4%, 0.5% and 0.8% of the total assets of the Consolidated Group, respectively.

Lending for real estate development of the loans as of December 31, 2019, 2018 and 2017is shown below:

December 2019. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase (Millions of Euros)

	Gross amount	Drawn over the guarantee value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**2,649**	**688**	**(286)**
Of which: Impaired assets	*567*	*271*	*(252)*
Memorandum item:			
Write-offs	*2,265*		
Memorandum item:	-		
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book value)	*185,893*		
Total consolidated assets (total business) (book value)	*698,690*		
Impairment and provisions for normal exposures	*(4,934)*		

December 2018. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase (Millions of Euros)

	Gross amount	Drawn over the guarantee value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**3,183**	**941**	**(537)**
Of which: Impaired assets	*875*	*440*	*(463)*
Memorandum item:			
Write-offs	*2,619*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book value)	*183,196*		
Total consolidated assets (total business) (book value)	*676,689*		
Impairment and provisions for normal exposures	*(4,938)*		

December 2017. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)

	Gross amount	Drawn over the guarantee value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**5,224**	**2,132**	**(1,500)**
Of which: Impaired assets	*2,660*	*1,529*	*(1,461)*
Memorandum item:			
Write-offs	*2,289*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	*174,014*		
Total consolidated assets (total business) (book value)	*690,059*		
Impairment and provisions for normal exposures	*(5,843)*		

The following is a description of the real estate credit risk based on the types of associated guarantees:

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

Financing allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)

	December 2019	December 2018	December 2017
Without secured loan	**298**	**324**	**552**
With secured loan	**2,351**	**2,859**	**4,672**
Terminated buildings	1,461	1,861	2,904
Homes	1,088	1,382	2,027
Other	373	479	877
Buildings under construction	545	432	462
Homes	348	408	439
Other	197	24	23
Land	345	566	1,306
Urbanized land	240	364	704
Rest of land	105	202	602
Total	**2,649**	**3,183**	**5,224**

As of December 31, 2019, 2018 and 2017, 55.2%, 58.5%, and 55.6% of loans to developers were guaranteed with buildings (74.5%, 74.3% and 69.8%, are homes), and only 13.0%, 17.8% and 25.0% by land, of which 69.6%, 64.3% and 53.9% % are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, December 31, 2019, 2018 and 2017:

Financial guarantees given (Millions of Euros)

	December 2019	December 2018	December 2017
Houses purchase loans	44	48	64
Without mortgage	5	24	12

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, December 31, 2019, 2018 and 2017is as follows:

December 2019. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (Millions of euros)

	Gross amount	***Of which: impaired loans***
Houses purchase loans	76,961	2,943
Without mortgage	1,672	22
With mortgage	75,289	2,921

December 2018. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (Millions of Euros)

	Gross amount	***Of which: impaired loans***
Houses purchase loans	80,159	3,852
Without mortgage	1,611	30
With mortgage	78,548	3,822

December 2017. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (Millions of Euros)

	Gross amount	***Of which: impaired loans***
Houses purchase loans	83,505	4,821
Without mortgage	1,578	51
With mortgage	81,927	4,770

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The loan to value (LTV) ratio of the above portfolio is as follows:

LTV breakdown of mortgage to households for the purchase of a home (business in Spain) (Millions of Euros)

	Total risk over the amount of the last valuation available (Loan to value-LTV)					
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
Gross amount 2019	15,105	19,453	20,424	11,827	8,480	75,289
Of which: Impaired loans	*182*	*313*	*506*	*544*	*1,376*	*2,921*
Gross amount 2018	14,491	18,822	21,657	13,070	10,508	78,548
Of which: Impaired loans	*204*	*323*	*507*	*610*	*2,178*	*3,822*
Gross amount 2017	14,485	18,197	20,778	14,240	14,227	81,927
Of which: Impaired loans	*293*	*444*	*715*	*897*	*2,421*	*4,770*

Outstanding home mortgage loans as of December 31, 2019, 2018 and 2017 had an average LTV of 47%, 49%, and 51% respectively.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about assets received in payment of debts (Business in Spain) (Millions of euros)

	December 2019			
	Gross Value	Provisions	Of which: Valuation adjustments on impaired assets, from the time of foreclosure	Carrying amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**1,048**	**555**	**266**	**493**
Terminated buildings	378	150	58	228
Homes	221	81	33	140
Other	157	69	25	88
Buildings under construction	79	44	24	35
Homes	78	43	24	35
Other	1	1	-	-
Land	591	361	184	230
Urbanized land	547	338	167	209
Rest of land	44	23	17	21
Real estate assets from mortgage financing for households for the purchase of a home	**1,192**	**612**	**153**	**580**
Rest of foreclosed real estate assets	**451**	**233**	**37**	**218**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,380**	**293**	**255**	**1,087**
Total	**4,071**	**1,693**	**711**	**2,378**

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

Information about assets received in payment of debts (Business in Spain) (Millions of Euros)

	December 2018			
	Gross Value	**Provisions**	**Of which: Valuation adjustments on impaired assets, from the time of foreclosure**	**Carrying amount**
Real estate assets from loans to the construction and real estate development sectors in Spain.	**2,165**	**1,252**	***828***	**913**
Terminated buildings	991	445	*274*	546
Homes	588	245	*144*	343
Other	403	200	*130*	203
Buildings under construction	209	131	*96*	78
Homes	194	117	*85*	77
Other	15	14	*11*	1
Land	965	676	*458*	289
Urbanized land	892	633	*421*	259
Rest of land	73	43	*37*	30
Real estate assets from mortgage financing for households for the purchase of a home	**1,797**	**932**	***331***	**865**
Rest of foreclosed real estate assets	**348**	**192**	***40***	**156**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,345**	**234**	***234***	**1,111**
Total	5,655	2,610	*1,433*	3,045

Additionally, in December 18, there was an increase of BBVA, S.A.'s stake in Garanti Yatirim Ortakligi AS through its contribution to the capital increase carried out by the latter entity.

Information about assets received in payment of debts (Business in Spain) (Millions of Euros)

	December 2017			
	Gross value	**Provisions**	**Of which: Valuation adjustments on impaired assets, from the time of foreclosure**	**Carrying amount**
Real estate assets from loans to the construction and real estate development sectors in Spain.	**6,429**	**4,350**	***2,542***	**2,079**
Finished buildings	2,191	1,184	*606*	1,007
Homes	1,368	742	*366*	626
Other	823	442	*240*	381
Buildings under construction	541	359	*192*	182
Homes	521	347	*188*	174
Other	20	12	*4*	8
Land	3,697	2,807	*1,744*	890
Urbanized land	1,932	1,458	*1,031*	474
Rest of land	1,765	1,349	*713*	416
Real estate assets from mortgage financing for households for the purchase of a home	**3,592**	**2,104**	***953***	**1,488**
Rest of foreclosed real estate assets	**1,665**	**905**	***268***	**760**
Foreclosed equity instruments	**1,135**	**325**	***273***	**810**
Total	**12,821**	**7,684**	***4,036***	**5,137**

Additionally, in March 2017, there was an increase of BBVA, S.A.'s stake in Testa Residencial through its contribution to the capital increase carried out by the latter entity by contributing assets from the Bank's real estate assets

As of December 31, 2019, 2018 and 2017, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €1.048, €2,165 and €6,429 million, respectively, with an average coverage ratio of 53.0%, 57.8% and 67.7%, respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2019, 2018 and 2017, amounted to €1.192, €1,797 and €3,592 million, respectively, with an average coverage ratio of 51.3%, 51.9% and 58.6%.

As of December 31, 2019, 2018 and 2017, the gross book value of the BBVA Group's total real-estate assets (business in Spain), including other real-estate assets received as debt payment, was €2.691, €4,310 and €11,686 million, respectively. The coverage ratio was 52.0%, 55.1% and 63.0%, respectively.

This Appendix is an integral part of Note 7.1 of the condensed consolidated financial statements for the year ended December 31, 2019.

c) Concentration of risk by geography

Below is a breakdown of the balances of financial instruments registered in the accompanying consolidated balance sheets by their concentration in geographical areas and according to the residence of the customer or counterparty. As of December 31, 2019, 2018 and 2017 it does not take into account loss allowances or loan-loss provisions:

Risks by geographical areas. December 2019 (Millions of Euros)

	Spain	Europe, excluding Spain	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**5,346**	**17,251**	**1,344**	**6,425**	**189**	**1,854**	**777**	**33,185**
Equity instruments (*)	**3,745**	**6,184**	**3,829**	**1,311**	**55**	**268**	**247**	**15,639**
Debt securities	**48,806**	**13,283**	**28,053**	**17,733**	**7,934**	**5,383**	**4,210**	**125,403**
Central banks	-	-	-	-	-	1,785	70	1,855
General governments	41,510	9,403	25,852	14,465	7,921	2,732	2,846	104,728
Credit institutions	1,237	1,672	658	150	9	263	611	4,600
Other financial corporations	5,643	1,001	317	2,085	3	433	136	9,619
Non-financial corporations	416	1,207	1,226	1,034	1	170	548	4,602
Loans and advances	**171,668**	**52,024**	**63,505**	**65,044**	**45,872**	**40,787**	**9,267**	**448,166**
Central banks	14	(3)	-	-	3,647	684	478	4,820
General governments	14,477	394	6,820	5,342	111	1,536	637	29,316
Credit institutions	6,621	20,544	2,050	648	1,996	1,012	2,112	34,982
Other financial corporations	3,103	13,351	1,611	2,313	1,248	704	752	23,082
Non-financial corporations	50,718	14,215	24,823	34,960	26,099	17,963	5,130	173,907
Households	96,735	3,523	28,201	21,781	12,773	18,888	158	182,059
Total risk in financial assets	**229,564**	**88,742**	**96,731**	**90,512**	**54,050**	**48,292**	**14,501**	**622,393**
Loan commitments given	33,146	26,687	17,361	35,185	8,665	8,060	1,819	130,923
Financial guarantees given	3,182	1,605	656	754	3,170	911	705	10,984
Other commitments given	16,204	9,125	1,534	2,075	5,065	2,808	2,397	39,209
Off-balance sheet exposures	**52,532**	**37,417**	**19,551**	**38,014**	**16,900**	**11,779**	**4,922**	**181,116**
Total risks in financial instruments	**282,096**	**126,159**	**116,282**	**128,526**	**70,950**	**60,072**	**19,423**	**803,508**

(*) Equity instruments are shown net of valuation adjustment.

Risks by geographical areas. December 2018 (Millions of Euros)

	Spain	Europe, excluding Spain	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**3,979**	**16,055**	**1,550**	**7,057**	**161**	**1,150**	**583**	**30,536**
Equity instruments (*)	**3,228**	**3,669**	**2,459**	**1,139**	**29**	**212**	**207**	**10,944**
Debt securities	**43,777**	**14,908**	**23,134**	**16,991**	**8,048**	**5,274**	**1,312**	**113,445**
Central banks	-	-	-	-	-	1,982	71	2,052
General governments	36,553	10,675	20,891	13,276	7,887	2,431	164	91,877
Credit institutions	1,130	1,821	573	74	155	297	463	4,514
Other financial corporations	5,769	1,048	227	2,595	5	432	114	10,190
Non-financial corporations	325	1,364	1,443	1,046	1	132	500	4,812
Loans and advances	**177,077**	**43,034**	**55,248**	**62,193**	**45,285**	**40,007**	**7,089**	**429,933**
Central banks	294	-	-	-	3,688	342	1,674	6,110
General governments	16,671	329	5,727	5,369	99	1,923	453	30,572
Credit institutions	5,422	13,600	1,476	696	956	984	639	23,774
Other financial corporations	4,616	10,893	1,303	2,255	766	637	304	20,773
Non-financial corporations	51,942	14,317	22,426	32,480	26,813	18,518	3,852	170,349
Households	98,131	3,783	24,316	21,393	12,963	17,602	168	178,355
Total risk in financial assets	**228,061**	**77,666**	**82,392**	**87,381**	**53,523**	**46,644**	**9,191**	**584,858**
Loan commitments given	32,582	21,983	14,503	32,136	7,914	8,590	1,252	118,959
Financial guarantees given	3,242	1,708	1,528	796	6,900	989	1,291	16,454
Other commitments given	15,995	9,229	532	2,118	2,230	2,782	2,213	35,098
Off-balance sheet exposures	**51,819**	**32,920**	**16,563**	**35,050**	**17,043**	**12,360**	**4,756**	**170,511**
Total risks in financial instruments	**279,880**	**110,586**	**98,955**	**122,430**	**70,567**	**59,004**	**13,947**	**755,369**

(*) Equity instruments are shown net of valuation adjustment.

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

Risks by geographical areas. December 2017 (Millions of Euros)

	Spain	Europe, excluding Spain	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**6,336**	**20,506**	**1,847**	**4,573**	**113**	**977**	**921**	**35,273**
Equity instruments (*)	**3,539**	**4,888**	**2,050**	**991**	**36**	**333**	**71**	**11,908**
Debt securities	**44,773**	**15,582**	**21,594**	**13,280**	**10,601**	**5,861**	**1,450**	**113,141**
Central banks	49	-	-	2,734	-	2,685	-	5,468
General governments	36,658	11,475	19,323	8,894	9,668	2,246	221	88,485
Credit institutions	1,364	2,095	289	98	884	387	752	5,869
Other financial corporations	6,492	994	337	3,026	7	315	194	11,365
Non-financial corporations	259	1,018	1,645	1,262	42	228	234	4,688
Loans and advances	**185,597**	**41,426**	**50,352**	**54,315**	**56,062**	**42,334**	**4,585**	**434,670**
Central banks	-	626	-	-	5,299	1,375	-	7,300
General governments	18,116	352	5,868	5,165	152	2,354	398	32,405
Credit institutions	5,564	15,493	1,889	789	1,073	1,145	345	26,297
Other financial corporations	7,769	6,231	588	1,732	1,297	664	270	18,551
Non-financial corporations	54,369	14,615	19,737	29,396	31,691	19,023	3,345	172,175
Households	99,780	4,110	22,269	17,233	16,550	17,773	227	177,942
Total risk in financial assets	**240,245**	**82,401**	**75,842**	**73,159**	**66,812**	**49,504**	**7,027**	**594,990**
Loan commitments given	31,100	16,203	1,691	29,539	2,944	11,664	1,126	94,268
Financial guarantees given	4,635	1,427	82	717	7,993	1,174	519	16,546
Other commitments given	25,279	9,854	1,582	1,879	1,591	3,750	1,804	45,738
Off-balance sheet exposures	**61,014**	**27,484**	**3,356**	**32,134**	**12,527**	**16,588**	**3,450**	**156,552**
Total risks in financial instruments	**301,259**	**109,885**	**79,198**	**105,293**	**79,339**	**66,092**	**10,477**	**751,542**

(*) Equity instruments are shown net of valuation adjustment.

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

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

The breakdown of loans and advances in the heading of "Loans and receivables", impaired by geographical area as December 31, 2019, 2018 and 2017is as follows:

Impaired financial assets by geographic area (Millions of Euros)

	December 2019	December 2018	December 2017
Spain	8,616	10,025	13,318
Rest of Europe	175	225	549
Mexico	1,478	1,138	1,124
South America	1,769	1,715	1,468
The United States	632	733	631
Turkey	3,289	2,520	2,311
Rest of the world	2	2	-
IMPAIRED RISKS	**15,959**	**16,359**	**19,401**

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

APPENDIX XIII. Information in accordance with article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014

December 31, 2019 (Millions of Euros)

Country	CIT payments cash basis	CIT expense consol	PBT consol	Gross income	Nº Employees (*)	Activity	Main Entity
Mexico	964	993	3,544	7,873	37,805	Finance, banking and insurance services	BBVA Bancomer S.A.
Spain (**)	(15)	226	(911)	5,558	30,283	Finance, banking and insurance services	BBVA S.A.
Turkey	246	289	1,151	3,269	20,634	Finance, banking and insurance services	Garanti BBVA AS
United States	135	123	751	3,225	10,825	Finance and banking services	BBVA USA
Colombia	97	128	438	1,000	6,899	Finance, banking and insurance services	BBVA Colombia S.A.
Argentina	27	37	234	1,026	6,402	Finance, banking and insurance services	Banco BBVA Argentina S.A.
Peru	205	172	636	1,286	6,420	Finance and banking services	BBVA Banco Continental S.A.
Venezuela	-	1	(8)	35	2,516	Finance, banking and insurance services	BBVA Banco Provincial S.A.
Chile	30	19	69	201	956	Financial services	Forum Servicios Financieros, S.A.
Romania	4	7	43	106	1,267	Finance and banking services	GBR Garanti Bank SA
Uruguay	11	8	53	175	576	Finance and banking services	BBVA Uruguay S.A.
Paraguay	8	3	34	85	428	Finance and banking services	BBVA Paraguay S.A.
Bolivia	3	3	11	29	424	Pensions	BBVA Previsión AFP SA
Netherlands	1	3	10	61	247	Finance and banking services	Garantibank BBVA International N.V.
Switzerland	12	1	6	41	116	Finance and banking services	BBVA (Switzerland) S.A.
Finland	-	-	(20)	1	112	Financial services	Holvi Payment Service OY
Ireland	-	-	-	1	-	Financial services	BBVA Ireland PCL
Brasil	-	-	-	2	6	Financial services	BBVA Brasil Banco de Investimento, S.A.
Curaçao	-	-	6	8	16	Finance and banking services	Banco Provincial Overseas N.V.
Portugal	5	10	46	94	458	Finance and banking services	BBVA - Portugal Branch Office
United Kingdom	2	3	45	83	120	Banking services	BBVA -London Branch Office
Hong Kong	-	5	38	50	85	Banking services	BBVA -Hong-Kong Branch Office
France	17	11	39	61	71	Banking services	BBVA -Paris Branch Office
Italy	3	9	26	55	51	Banking services	BBVA -Milan Branch Office
Germany	21	(11)	9	37	44	Banking services	BBVA -Frankfurt Branch Office
Belgium	-	-	2	7	23	Banking services	BBVA -Brussels Branch Office
China	-	-	(2)	4	26	Banking services	BBVA -Shanghai Branch Office
Singapore	1	1	8	9	9	Banking services	BBVA -Singapur Branch Office
Japan	-	-	1	2	3	Banking services	BBVA -Tokio Branch Office
Taiwan	-	(1)	(2)	5	11	Banking services	BBVA -Taipei Branch Office
Cyprus	6	7	31	36	111	Banking services	Garanti - Nicosia Branch Office
Malta	9	8	111	117	14	Banking services	Garanti -Valletta Branch Office
Total	1,792	2,053	6,398	24,542	126,958		

(*) Full time employees. The 15 employees of representative offices are not included in the total number.

(**) In "CIT payments cash basis", the methodology for calculating advance payments of the annual tax return provided for in Corporate Income Tax legislation, may lead to differences between the advance payments made in the current year and the refund of those advance payments made in previous years resulting once the annual corporate income tax return has been submitted. As a result of these differences, there has been a net cash refund. The amount of "Profit before taxes includes Corporate Center (see Note 6).

The results of this breakdown of the branches are integrated in the financial statements of the parent companies on which they depend.

As of December 31, 2019, the return of the Group's assets calculated by dividing the "Profit" between "Total Assets" is 0.62%.

In 2019 (*), BBVA group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant. This statement is made for the purposes of article 89 of Directive 2013/36/UE of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

(*) BBVA disclosed by means of public relevant events: (i) on 07/27/2012 the closing of the acquisition of UNNIM Banc, S.A. and (ii) on 04/24/2015 the closing of the acquisition of Catalunya Banc, S.A.

Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus, the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Available-for-sale financial assets	Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL. The AFS category belongs to IAS 39 standard, replaced by "Financial Assets at fair value through other comprehensive income" under IFRS 9.
Baseline macroeconomic scenarios	IFRS 9 requires that an entity must evaluate a range of possible outcomes when estimating provisions and measuring expected credit losses, through macroeconomic scenarios. The baseline macroeconomic scenario presents the situation of the particular economic cycle.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Business Model	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). Financial assets are classified on the basis of its business model for managing the financial assets. The Group's business models shall be determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and generate cash flows.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: · Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected. · Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. · Fees and commissions generated by a single act are accrued upon execution of that act.

Consolidated statements of cash flows	The indirect method has been used for the preparation of the consolidated statement of cash flows. This method starts from the entity's consolidated profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used: · Cash flows: Inflows and outflows of cash and equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.
Consolidated statements of changes in equity	The consolidated statements of changes in equity reflect all the movements generated in each year in each of the headings of the consolidated equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any. The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total consolidated equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.
Consolidated statements of recognized income and expenses	The consolidated statement of recognized income and expenses reflect the income and expenses generated in each fiscal year, distinguishing between those recognized in the consolidated profit and loss accounts and the "Other recognized income and expenses"; which are recorded directly in the consolidated equity. The "Other recognized income and expenses" includes the variations that have occurred in the period in "accumulated other comprehensive income", detailed by concepts. The sum of the variations recorded in the "accumulated other comprehensive income" caption of the consolidated equity and the consolidated profit for the year represents the "Total income and expenses".
Consolidation method	Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable. Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations: a) income and expenses in respect of intragroup transactions are eliminated in full. b) profits and losses resulting from intragroup transactions are similarly eliminated. The carrying amount of the parent's investment and the parent's share of equity in each subsidiary are eliminated.
Contingencies	Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.
Contingent commitments	Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.

Control	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following: a) Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. b) Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative. c) Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.
Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.
Credit Valuation Adjustment (CVA)	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Current service cost	Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
Current tax assets	Taxes recoverable over the next twelve months.
Current tax liabilities	Corporate income tax payable on taxable profit for the year and other taxes payable in the next twelve months.
Debit Valuation Adjustment (DVA)	An adjustment made by an entity to the valuation of OTC derivative liabilities to reflect within fair value the entity's own credit risk.
Debt certificates	Obligations and other interest-bearing securities that create or evidence a debt on the part of their issuer, including debt securities issued for trading among an open group of investors, that accrue interest, implied or explicit, whose rate, fixed or benchmarked to other rates, is established contractually, and take the form of securities or book-entries, irrespective of the issuer.
Default	An asset will be considered as defaulted whenever it is more than 90 days past due.
Deferred tax assets	Taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application.
Deferred tax liabilities	Income taxes payable in subsequent years.
Defined benefit plans	Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits.
Defined contribution plans	Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.
Deposits from central banks	Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.
Deposits from credit institutions	Deposits of all classes, including loans and money market operations received, from credit entities.

Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, which are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Derivatives	The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.
Derivatives - Hedging derivatives	Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.
Diluted earnings per share	Calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the profit attributable to the parent company corresponding to ordinary shareholders of the entity, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).
Dividends and retributions	Dividend income collected announced during the year, corresponding to profits generated by investees after the acquisition of the stake.
Domestic activity	Domestic balances are those of BBVA´s Group entities domiciled in Spain, which reflect BBVA´s domestic activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic capital	Methods or practices that allow banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities.
Effective interest rate (EIR)	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity, that is after deducting all of its liabilities.
Equity instruments issued other than capital	Includes equity instruments that are financial instruments other than “Capital” and “Equity component of compound financial instruments”.
Equity Method	Is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. The investor’s profit or loss includes its share of the investee’s profit or loss and the investor’s other comprehensive income includes its share of the investee’s other comprehensive income.
Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.

Expected Credit Loss (ECL)	Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Hence, credit losses are the present value of expected cash shortfalls. The measurement and estimate of these expected credit losses should reflect: 1. An unbiased and probability-weighted amount. 2. The time value of money by discounting this amount to the reporting date using a rate that approximates the EIR of the asset, and 3. Reasonable and supportable information that is available without undue cost or effort. The expected credit losses must be measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or an approximation thereof (forward looking).
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not be recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial Assets at Amortized Cost	Financial assets that do not meet the definition of financial assets designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Financial Assets at fair value through other comprehensive income	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the consolidated subsidiaries act as lessors.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Foreign activity	International balances are those of BBVA´s Group entities domiciled outside of Spain, which reflect our foreign activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").
Held-to-maturity investments	Held-to-maturity investments are financial assets traded on an active market, with fixed maturity and fixed or determinable payments and cash flows that an entity has the positive intention and financial ability to hold to maturity. The Held-to-maturity category belongs to IAS 39 standard, replaced by IFRS 9.

Impaired financial assets	An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. *Evidence that a financial asset is credit-impaired includes observable data about the following events:* *a) significant financial difficulty of the issuer or the borrower,* *b) a breach of contract (e.g. a default or past due event),* *c) a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider,* *d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization,* *e) the disappearance of an active market for that financial asset because of financial difficulties, or* f) *the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.*
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.
Insurance contracts linked to pensions	The fair value of insurance contracts written to cover pension commitments.
Inventories	Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.
Investment properties	Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.
Joint arrangement	An arrangement of which two or more parties have joint control.
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets of the arrangement and obligations for the liabilities. A joint venturer shall recognize the following for its participation in a joint operation: a) its assets, including any share of the assets of joint ownership; b) its liabilities, including any share of the liabilities incurred jointly; c) income from the sale of its share of production from the joint venture; d) its share of the proceeds from the sale of production from the joint venturer; and e) its expenses, including any share of the joint expenses. A joint venturer shall account for the assets, liabilities, income and expenses related to its participation in a joint operation in accordance with IFRS applicable to the assets, liabilities, income and expenses specific question.
Joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.
Leases	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement. a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. b) A lease will be classified as operating lease when it is not a financial lease.
Lease liability	Lease that represents the lessee's obligation to make lease payments during the lease term.

Liabilities included in disposal groups classified as held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the consolidated entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loans and receivables	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity (amounts of cash available and pending maturity by customers as a loan or deposits lent to other entities, and unlisted debt certificates), as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the consolidated subsidiaries act as lessors. The Loans and receivables category belongs to IAS 39 standard, replaced by "Financial Assets at Amortized Cost" under IFRS 9.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.
Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.
Non performing financial guarantees given	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for financial guarantees given. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non Performing Loans (NPL)	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for exposures on balance loans to customers. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the consolidated earnings for the period.
Non-current assets and disposal groups held for sale	A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements: a) it is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset. b) the sale is considered highly probable.
Non-monetary assets	Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.
Non-trading financial assets mandatorily at fair value through Profit or loss	The financial assets registered under this heading are assigned to a business model whose objective is achieved by obtaining contractual cash flows and / or selling financial assets but which the contractual cash flows have not complied with the SPPI test conditions.
Option risk	Risks arising from options, including embedded options.

Other financial assets/liabilities at fair value through profit or loss	Instruments designated by the entity from the inception at fair value with changes in profit or loss. An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because: a) It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes called "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. It might be acceptable to designate only some of a number of similar financial assets or financial liabilities if doing so a significant reduction (and possibly a greater reduction than other allowable designations) in the inconsistency is achieved. b) The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity´s key management personnel. These are financial assets managed jointly with "Liabilities under insurance and reinsurance contracts" measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk. These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.
Other Reserves	This heading is broken down as follows: i) Reserves or accumulated losses of investments in subsidiaries, joint ventures and associate: include the accumulated amount of income and expenses generated by the aforementioned investments through profit or loss in past years. ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.
Other retributions to employees long term	Includes the amount of compensation plans to employees long term.
Own/treasury shares	The amount of own equity instruments held by the entity.
Past service cost	It is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.
Post-employment benefits	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.
Probability of default (PD)	It is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.
Property, plant and equipment/tangible assets	Buildings, land, fixtures, vehicles, computer equipment and other facilities owned by the entity or acquired under finance leases.
Provisions	Provisions include amounts recognized to cover the Group's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date.
Provisions for contingent liabilities and commitments	Provisions recorded to cover exposures arising as a result of transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts, and provisions for contingent commitments, i.e., irrevocable commitments which may arise upon recognition of financial assets.
Provisions for pensions and similar obligation	Constitutes all provisions recognized to cover retirement benefits, including commitments assumed vis-à-vis beneficiaries of early retirement and analogous schemes.

Provisions or (-) reversal of provisions	Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.
Refinanced Operation	An operation which is totally or partially brought up to date with its payments as a result of a refinancing operation made by the entity itself or by another company in its group.
Refinancing Operation	An operation which, irrespective of the holder or guarantees involved, is granted or used for financial or legal reasons related to current or foreseeable financial difficulties that the holder(s) may have in settling one or more operations granted by the entity itself or by other companies in its group to the holder(s) or to another company or companies of its group, or through which such operations are totally or partially brought up to date with their payments, in order to enable the holders of the settled or refinanced operations to pay off their loans (principal and interest) because they are unable, or are expected to be unable, to meet the conditions in a timely and appropriate manner.
Renegotiated Operation	An operation whose financial conditions are modified when the borrower is not experiencing financial difficulties, and is not expected to experience them in the future, i.e. the conditions are modified for reasons other than restructuring. In any case, these definitions are adapted to the local terminology, so that they are integrated into the management.
Repricing risk	Risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions.
Restructured Operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the loan (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the loan, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile. In any case, these definitions are adapted to the local terminology, so that they are integrated into the management.
Retained earnings	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution.
Right of use asset	Asset that represents the lessee’s right to use an underlying asset during the lease term.
Securitization fund	A fund that is configured as a separate equity and administered by a management company. An entity that would like funding sells certain assets to the securitization fund, which, in turn, issues securities backed by said assets.
Share premium	The amount paid in by owners for issued equity at a premium to the shares' nominal value.
Shareholders' funds	Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.

Significant increase in credit risk	In order to determine whether there has been a significant increase in credit risk for lifetime expected losses recognition, the Group has develop a two-prong approach: *a)* *Quantitative criterion*: based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. b) *Qualitative criterion:* most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.
Significant influence	Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. The existence of significant influence by an entity is usually evidenced in one or more of the following ways: a) representation on the board of directors or equivalent governing body of the investee; b) participation in policy-making processes, including participation in decisions about dividends or other distributions; c) material transactions between the entity and its investee; d) interchange of managerial personnel; or e) provision of essential technical information.
Solely Payments of Principle and Interest (SPPI)	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). To determine whether a financial asset shall be classified as measured at amortized cost or FVOCI, a Group assesses (apart from the business model) whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding (SPPI).
Stages	IFRS 9 classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized - *without significant increase in credit risk* (Stage 1); the second comprises the operations for which a significant increase in credit risk has been identified since its initial recognition - *significant increase in credit risk* (Stage 2) and the third one, the impaired operations *Impaired* (Stage 3). The transfer logic is defined in a symmetrical way, whenever the condition that triggered a transfer to Stage 2 is no longer met, the exposure will be transferred to Stage 1. In the case of forbearances transferred to stage 2, as long as the loan is flagged as forbearance it will keep its status as Stage 2. However, when the loan is not flagged as forbearance it will be transferred back to Stage 1.
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.

Structured Entities	A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: a) restricted activities. b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors y passing on risks and rewards associated with the assets of the structured entity to investors. c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support. d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.
Subsidiaries	Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is: a) an agreement that gives the parent the right to control the votes of other shareholders; b) power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.
Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in consolidated companies, non-controlling interests, deductions and others and attributed net income.
Tier 2 Capital	Mainly includes: Subordinated, preferred shares and non- controlling interest.
Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.
Write- off	When the recovery of any recognized amount is considered to be remote, this amount is removed from the consolidated balance sheet, without prejudice to any actions taken by the consolidated entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.

Value at Risk (VaR)	Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level VaR figures are estimated following two methodologies: a) VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. b) VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one. c) VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

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28046 Madrid

Independent Auditor's Report on the Consolidated Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank") and its subsidiaries which, together with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (hereinafter the "Group"), which comprise the consolidated balance sheet at 31 December 2019, the consolidated income statement, consolidated statement of recognized income and expense, consolidated statement of total changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

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

Impairment of loans and advances to other debtors
See notes 7.1 and 14.1 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's loans and advances to other debtors portfolio presents a net balance of Euros 382,360 million at 31 December 2019, and the impairment provisions recognized at that date amount to Euros 12,402 million. For the purposes of estimating impairment, financial assets measured at amortized cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3), or whether neither of these circumstances arises (Stage 1). For the Group, establishing this classification is a relevant process as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Individual provisions consider estimates of future business performance and the market value of collateral provided for credit transactions.	Our audit approach in relation to the Group's estimate of the impairment of loans and advances to other debtors due to credit risk included assessing the relevant controls linked to the process of estimating impairment and performing different tests of detail on that estimate, to which end we brought in our credit risk specialists. Our procedures related to the control environment focused on the following key areas: • Identifying the credit risk management framework and assessing the consistency of the Group's accounting policies with the applicable regulations. • Assessing whether the loans and advances to other debtors portfolio has been appropriately classified on the basis of credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. • Testing the relevant controls relating to the information available for the monitoring of outstanding loans. • Evaluating the design and implementation of the relevant controls over the management and valuation of collateral. • Evaluating whether the internal models for estimating both individual and collective provisions for expected losses are functioning correctly.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Impairment of loans and advances to other debtors See notes 7.1 and 14.1 to the consolidated financial statements	
Key audit matter	*How the matter was addressed in our audit*
In the case of collective provisions, expected credit losses are estimated by means of internal models that use large databases, different macroeconomic scenarios, provision estimation parameters, segmentation criteria and automated processes. Such models are complex in their design and implementation and require past, present and future information be considered. The Group periodically recalibrates and performs contrast tests on its internal models with a view to improving their predictive power on the basis of actual past experience. The consideration of this matter as a key audit matter is based both on the significance for the Group of the loans and advances to other debtors portfolio, and thus of any related provision recognized, and on the relevance and complexity of the process for classifying financial assets for the purpose of estimating impairment thereon and calculating this impairment.	• Assessing whether the aspects observed by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective provisions have been taken into consideration. • Assessing the integrity, accuracy and recency of the data used and of the data control and management process in place. Our tests of detail on the estimate of expected losses included the following: • With regard to the impairment of individually significant transactions, we assessed the suitability of the cash flow discounting models used by the Group. We also selected a sample from the credit-impaired significant risk population and evaluated the appropriateness of the provision recognized. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Group, assessed the integrity and accuracy of the input balances for the process, and assessed whether the calculation engine is functioning correctly by running the calculation process again for a sample of contracts, considering the segmentation and assumptions used by the Group. Lastly, we analyzed whether the information disclosed in the notes to the consolidated financial statements is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Classification and measurement of financial instruments at fair value
See notes 8.1 and 10 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
The classification and initial measurement of financial instruments (essentially financial assets and derivatives) may require a high level of judgement and complex estimates, and determines the criteria to be applied in their subsequent measurement. At 31 December 2019 the Group has financial assets and financial liabilities held for trading amounting to Euros 102,688 million and Euros 89,633 million, respectively, of which Euros 71,563 million and Euros 63,368 million, respectively, have been measured using valuation techniques as no quoted price in an active market is available (therefore classified as level 2 or 3 for measurement purposes). In the absence of a quoted price in an active market, determining the fair value of financial instruments requires a complex estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models which demand a high degree of subjectivity. We have therefore considered the estimate of the fair value of these financial assets and financial liabilities using these measurement methods to be a key audit matter.	In relation to the classification and measurement of financial instruments at fair value, we performed control tests and tests of detail on the Group's decisions and estimates, with the involvement of our own specialists in this area. Our procedures relating to the assessment of the relevant controls linked to the processes for classifying and measuring financial instruments were focused on identifying the risk management framework and controls related with operations in the financial markets in which the Group operates, evaluating the application of the Group's policies and procedures for the recognition and classification of instruments based on existing business models and their contractual characteristics, and examining the key controls associated with the process of measuring financial instruments and with the analysis of the integrity, accuracy and recency of the data used and of the control and management process in place for the existing databases. With regard to the tests of detail performed, we selected a sample of the financial instruments measured at fair value and assessed the appropriateness of their classification, the adequacy of the measurement criterion used and the reasonableness of the measurement thereof. To this end, we also assessed the reasonableness of the most significant pricing models used by the Group. Lastly, we analyzed whether the information disclosed in the notes to the consolidated financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Group.

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Measurement of goodwill in the USA business unit See note 18.1 to the consolidated financial statements	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2019 the Group has recognized impairment in an amount of Euros 1,318 million in relation to goodwill arising on the acquisition of certain entities domiciled in the United States To measure goodwill the Group must determine the cash generating unit (CGU) to which it pertains, calculate the carrying amount thereof, estimate the recoverable amount of the CGU and identify the facts that may determine whether there are any indications of impairment. This estimate is based, among other aspects, on financial projections that consider macroeconomic developments, the internal circumstances of the entity and its competitors, discount rates and future business developments. Therefore, measuring the goodwill associated with the CGU in the United States entails a high level of judgement and complexity. Due to the relevance of the impairment of goodwill recognized by the Group at 31 December 2019 and the subjective nature of the assumptions and valuation techniques used in the estimate thereof, this has been considered a key audit matter of the current period.	As part of our audit procedures, we analyzed the processes and key controls established by management in relation to the Group's process for identifying the CGU to which the goodwill in the United States pertains. We also analyzed the Group's annual impairment testing of goodwill, which was reviewed by independent experts hired by the Group Additionally, we performed tests of detail, with the collaboration of our valuation specialists, in relation to the annual impairment testing of this goodwill, particularly on the reliability of the information used, the reasonableness of the methodology used to calculate the recoverable amount of the CGU in the United States, and the main assumptions considered Lastly, we analyzed whether the information disclosed in the notes to the consolidated financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Group.

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Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group has a complex technological operating environment, with large data processing centers in Spain and Mexico which provide support to different countries, as well as local data processing centers, such as those in Turkey, Argentina and the United States. This technological environment must reliably and efficiently satisfy business requirements and ensure that the Group's financial information is processed correctly. In this environment, it is essential to ensure appropriate coordination and standardization in the management of technological risks that could impact on information systems in key areas such as data and program security, systems operations, and development and maintenance of the applications and IT systems used to prepare the financial information. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in generating the financial information, encompassing the following: • Understanding of the information flows and identification of the key controls that ensure the processing of information in each Group entity considered relevant for audit purposes. • Testing of the key automated processes involved in generating the financial information. • Analysis of the relevant data and systems migrations occurring in the period. • Testing of application and systems controls related with access to and processing of the information and with the security settings of those applications and systems. • Testing of controls over operations, maintenance and development of applications and systems. • Aggregation and analysis of deficiencies identified and monitoring of the improvement measures undertaken by the entities at both local and Group level.

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Other Information: Consolidated Management Report

Other information solely comprises the 2019 consolidated management report, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the consolidated financial statements.

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

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

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

Based on the work carried out, as described above, we have verified that the information mentioned in section a) above has been provided in the consolidated management report, that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated financial statements for 2019, and that the content and presentation of the report are in accordance with applicable legislation.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

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

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

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

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

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

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

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

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

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

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

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

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

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

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

From the matters communicated to the Bank's Audit Committee, we determine those that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2019 and which are therefore the key audit matters.

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Bank's Audit Committee

The opinion expressed in this report is consistent with our additional report to the Bank's Audit Committee dated 7 February 2020.

Contract Period

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

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

(Signed on original in Spanish)

Luis Martín Riaño
On the Spanish Official Register of Auditors ("ROAC") with No. 18,537

11 February 2020