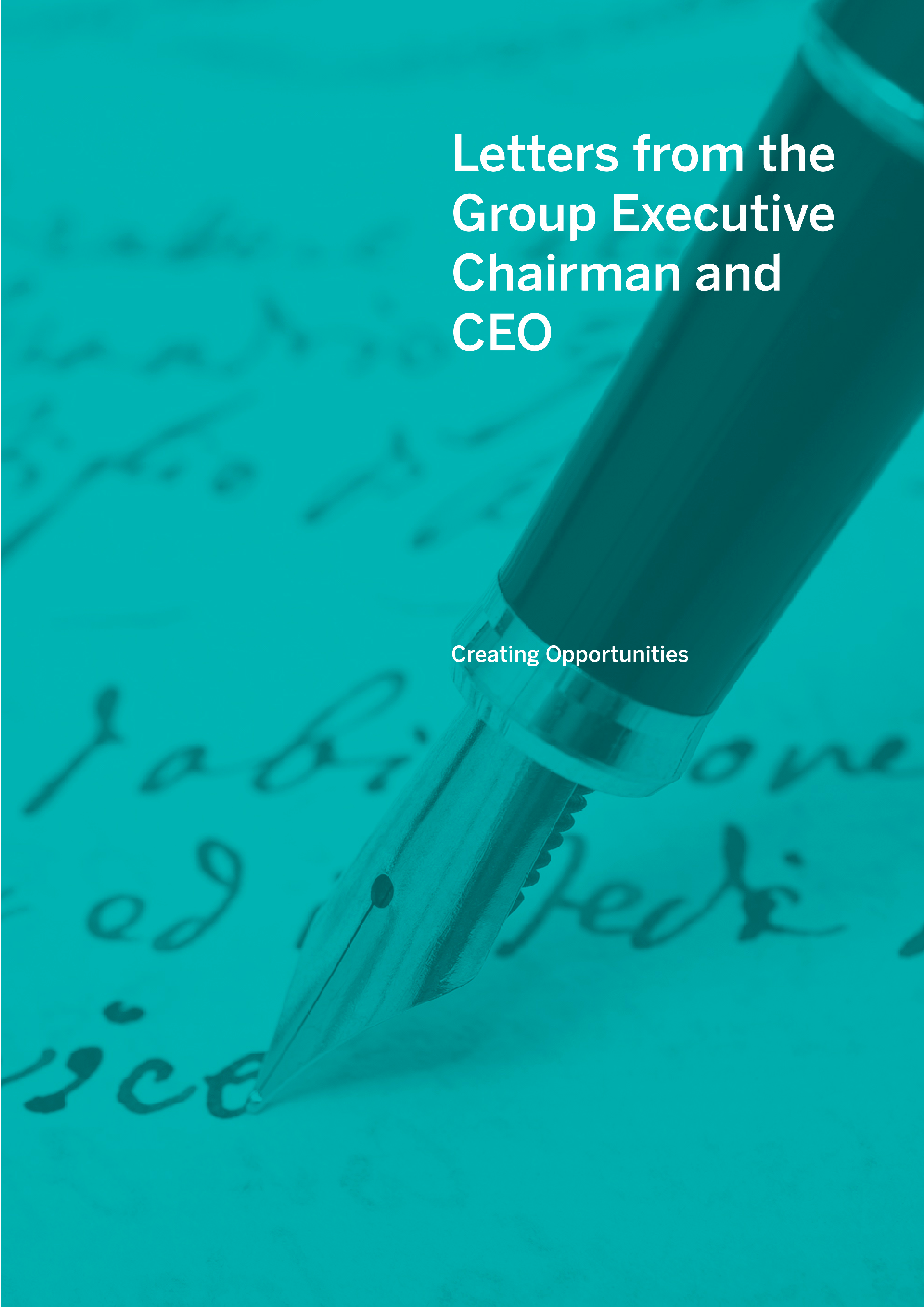
BBVA Creating Opportunities

BBVA in 2018

Contents



Letters from the Group Executive Chairman and CEO

Creating Opportunities

Letter from the Group Executive Chairman

Dear Shareholders,

It is an honor for me to address you as Chairman of BBVA for the first time. My appointment and other recent changes to the management team will provide continuity to our strategy and an even greater focus on our Purpose: ***to bring the age of opportunity to everyone***. This is what moves all of us at BBVA. The Purpose guides our strategy and inspires our culture and values. It is what ultimately enables us to achieve better financial results for our shareholders with a long-term vision.

BBVA's excellent results in 2018 are a good example of our successful strategy, despite the volatility in some of the countries within our footprint, namely Turkey and Argentina. **Our net attributable profit reached €5,324 million in 2018, a 51% increase over 2017** (or 7% in comparable terms) - an achievement driven by recurring revenues, cost containment, and the capital gains from the sale of BBVA Chile. **The book value per share increased 10.1% and the return on tangible equity stood at 14.1%, positioning BBVA as a leader in profitability in the financial sector**. The Group's fully-loaded CET1 ratio ended the year at 11.34%, 26 basis points above December 2017.

In addition to achieving excellent financial results, in 2018 we also worked to address the big challenges facing society today. We are living in a truly revolutionary age, driven by the rapid emergence of new technologies, such as artificial intelligence, cloud computing, the proliferation of connected devices, decentralized applications, blockchain and biometrics, to name a few. All of this represents a genuine era of opportunity for humanity, but there are also significant social and environmental challenges, such as the fight against climate change and inequality. Challenges that are global in nature and that require everyone's involvement, including banks as important players in the economy. We can make a difference by financing socially sustainable projects and providing financial advice to help people achieve their life goals.

This is why I specifically want to emphasize our contribution in the face of these challenges. **In 2018, in addition to our commitment with the United Nations Global Compact, we publicly embraced the Pledge 2025, our commitment to sustainable finance**, which is based on three central pillars. First, a commitment to finance sustainable development, mobilizing €100 billion through 2025 to combat climate change, facilitating the transition to a low-carbon economy, and promoting sustainable infrastructure, financial inclusion and entrepreneurship. Second, a commitment to manage the impact our business activity has on the environment. Our commitments include reducing CO_2 emissions by 68% by 2025 and reaching 70% use of renewable energy. Lastly, actively engaging other stakeholders to promote a collective approach to sustainable development.

In 2018 we played a defining role in the development of the Principles for Responsible Banking, together with 16 other financial institutions. These principles represent the guiding framework for financial institutions- a new approach to banking that society both demands and needs. Our success ultimately depends on the prosperity of the communities we serve. **We need an inclusive society, one that takes a sustainable approach to natural resources**.

In addition to promoting sustainable development and contributing to the generation of wealth, growth, and individual prosperity, **the BBVA foundations make an invaluable contribution to society. The foundations undertake an important work in economic, cultural, and scientific fields, such as promoting the development of vulnerable segments of the population**. Other examples include BBVA Foundation's prestigious Frontiers of Knowledge Awards, BBVA Bancomer Foundation's program to rebuild schools and its scholarship program "Por los que se quedan". Additionally, the BBVA Microfinance Foundation has worked on creating opportunities for the most vulnerable, especially women for over ten years. This final example is in fact the private philanthropic initiative that has had the greatest social impact in Latin America, successfully supporting more than five million entrepreneurs over the past ten years.

Technology and the considerable changes taking place in the World are clearly having a significant impact on our business. Opportunities are increasingly found in the digital world. At BBVA we have been pioneers, and we continue to be at the forefront with our commitment to digital transformation. Thanks to these efforts our customers increasingly interact with the bank through digital channels, which are always available and more convenient than ever thanks to our simple, intuitive user experience.

Our business is changing both profoundly and quickly. These changes are exemplified by our increasing digitization. **In 2018, 41% of BBVA Group unit sales were made through digital channels**, compared to just 16% two years ago. In terms of value, digital sales account for 32% compared to 12% two years ago. This significant transformation is not only reflected at the Group level, but represents a trend that is repeated in each of the countries where we operate.

The evidence shows that customers who use digital channels interact with us more frequently, and report greater satisfaction and loyalty to BBVA. **In 2018 we achieved a key milestone: our digital customer base surpassed the 50% threshold**, reaching 27 million. The bank's mobile customer base has increased by 29%, reaching 23 million mobile users, or 43% of total customers. Our goal is to have more than 50% our customers interacting with us through their smartphones in 2019.

Beyond the important changes in the way customers interact with us, the new era in which we live enables us to *create opportunities* through an even better value proposition. The focus is on **helping people and businesses make better financial decisions** that help them better achieve their personal and professional goals. The way we treat our customers' data and the use of artificial intelligence are fundamental ingredients in this enhanced value proposition.

In 2018, we developed new features that use data to help anticipate problems, draw conclusions, and make better recommendations; ultimately to offer our customers value-added services. As a result, BBVA Spain's mobile banking app was recognized as the best in the world for the second year in a row by consulting firm Forrester Research. BBVA Turkey's app ranked second in the same study. Among other distinctions, we were recognized as the best digital bank in Spain, Mexico, and Turkey according to World Finance magazine's Digital Banking Awards.

Our business transformation is undoubtedly tied to how we do things internally. For this reason, the way we work is also changing, driven by the necessary cultural revolution in this new age. **We are leaders in the financial sector in the adoption of agile methodologies, which has transformed the way the entire organization works, using independent, multi-disciplinary teams**. By working in this manner, we have managed to improve the quality of our deliverables, reduce time-to-market, increase productivity and enhance employees' sense of belonging. There are currently some 30,000 people at BBVA using agile methodologies in their daily activities.

Most importantly, beyond changing the way we work, BBVA's culture remains deeply rooted in a strong set of values. We have always considered this to be one of our biggest strengths. **BBVA is a honest bank, and we will always act in the best interest of our shareholders showing absolutely no tolerance for any conduct or behaviour that runs counter to our values.**

The three values guiding our actions and behaviors are:

"**The customer comes first**," meaning we are empathetic and put ourselves in the customer's shoes. We are, and have always been, principled and resourceful and are fast agile and decisive when solving customers' problems and addressing their needs.

"**We think big**," not just in the sense that we are ambitious, but also because we break molds. We innovate and promote change in the *statu quo*, amazing customers with unique personal experiences and solutions that beat their expectations.

"**We are one team**," personally committed to the bank, the project, and our customers. There is mutual trust, a sense of ownership and a feeling that we all are BBVA.

In conclusion, I am tremendously proud to be leading what I believe to be the greatest project in the world of banking. A project that is possible thanks to each and every one of the more than 125,000 people who work at BBVA. I would like to thank them for their dedication and commitment to our Purpose and our values, and congratulate them on a job well done.

Finally, thanks to you, our shareholders, for your constant support, which motivates us to continue giving our best every day.

1 March 2019

Carlos Torres Vila

Letter from the Chief Executive Officer

Dear Shareholders,

BBVA posted strong results in 2018. Our diversified business model has once again proved its resilience and capacity to generate recurring income with double-digit returns, despite a complex environment with high volatility and significant depreciation of currency in some footprint countries.

The global economy grew by 3.6% despite increased volatility and trade tensions. In our footprint, performance varied among countries. We saw positive trends in Spain, with growth of 2.5%, which was above the Eurozone average, and in the United States, the economy grew by 2.9%, driven by expansionary fiscal policies. Growth in our U.S. Sunbelt footprint was 3.2%, higher than the country's average. Mexico maintained solid growth of more than 2%, which was strong in a year influenced by presidential elections. Colombia and Peru also showed strong growth of 2.6% and 3.9% respectively. In Turkey and Argentina, volatility was high and BBVA faced significant currency devaluations, although there was some improvement in the last quarter of the year.

BBVA Group's net attributable profit in 2018 was €5,324 million, representing a 51.3% increase versus 2017 (7% increase on a more comparable basis). The net attributable profit was impacted by the capital gains realized from the 2018 sale of BBVA Chile and the 2017 impairment of the Group's stake in Telefónica.

Tangible book value per share plus dividends increased by 10.1% over the year, despite the depreciations in the Turkish lira and the Argentine peso. This increase is accompanied by peer-leading double-digit returns in both return on tangible equity and return on equity, which were 14.1% and 11.6% respectively.

Also of note is the trend in recurring revenue, 10.4% growth in the year in constant Euros (without accounting for the impact of the exchange rate) and discipline in cost control, which grew by just 2.5%, well below the average inflation of our footprint. This trend was repeated consistently across our geographies. Because of this, the efficiency ratio of the Group has improved by 89 basis points to 49.3%, despite the negative accounting impact the hyperinflation adjustment in Argentina had on gross income.

One of the keys to efficiency improvement has been making our business more digital, which has increased sales in a very efficient manner. It also has an impact on customer satisfaction and we are leaders in six of our banking franchises, which has a direct effect on improving customer loyalty and reducing attrition.

The strength of the Group's risk indicators must also be highlighted, with the NPL ratio improving significantly, ending 2018 at 3.9%, down 61 basis points compared to 2017. The NPL coverage ratio improved 812 basis points over the year to 73%. The Group's cost of risk remained low at 1%.

The resilience of our capital position from a solvency standpoint is also worth to mention. The fully loaded CET1 ratio was 11.34% in 2018, an increase of 26 basis points over the year. This has been achieved, despite the impact of market trends, particularly the depreciation of some currencies and the first implementation of the IFRS 9 standard.

The most notable impacts in the main business areas included the following:

- **Banking activity in Spain**: Net attributable profit grew 10.8% to €1,522 million driven by fees, significant costs reduction and lower impairments. In terms of asset quality, we saw a significant declining trend in our NPL ratio and the cost of risk, which were 4.6% and 0.21% respectively.
- In **Non-Core Real Estate**, the significant reduction of net real estate exposure stands out, as a result of the October close of the sale of BBVA's real estate business in Spain to Cerberus, as well as other portfolio sales during the year. Net losses were significantly reduced to €78 million.
- In the **United States,** net attributable profit was €735 million, 56.9% higher than 2017 in real terms, primarily supported by the favorable performance of net interest income.
- In **Mexico**, net attributable profit for the area was €2,384 million, representing a year-over-year increase of 16.1% in real terms, supported by the net interest income and efficiency improvement. Risk indicators were strong, with all ratios showing improvements.

- In **Turkey**, the bank again demonstrated its capacity to generate high pre-provision profit that can absorb the increase in provisions derived from the deterioration in macroeconomic conditions. Net attributable profit was at €569 million, representing a year-over-year decrease of 4.5% in real terms.

- **South America** generated a net attributable profit of €591 million in 2018, which represents a year-over-year change of -16.5% mainly due to the accounting impact of hyperinflation in Argentina (-€266 million) and the change in the business unit composition derived from the sale of BBVA Chile, which closed in July 2018.

Finally, I want to heartily thank the more than 125,000 employees in the Group for their effort and enormous contribution to the Group's performance. Also, thanks to you, the shareholders, for your constant support which drives us to fulfill our Purpose of bringing the age of opportunity to everyone.

1 March 2019

Onur Genç

Introduction

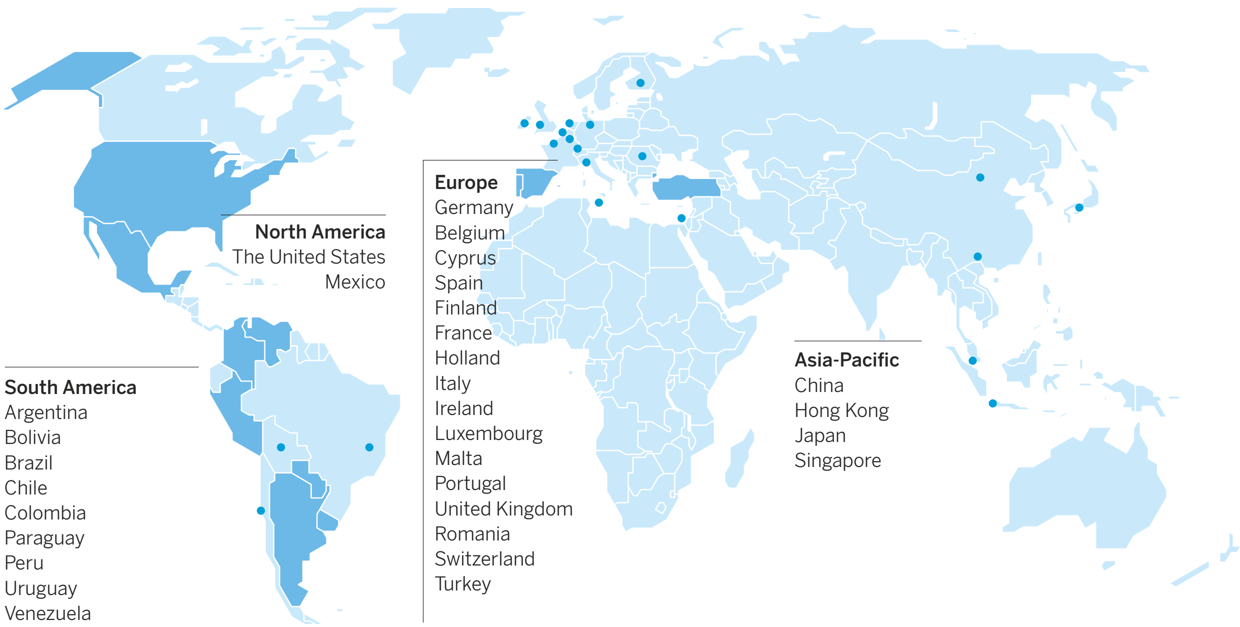
Introduction

About BBVA

BBVA is a customer-centric global financial services group founded in 1857. Its Purpose is to bring the age of opportunity to everyone. This motto reflects the Entity's role as enabler, offering its customers the best banking solutions, helping them make the best financial decisions and making a true difference in their lives. We live in the era of opportunities, where technology offers universal access to education and offers many more people than ever before the possibility of embarking on projects and chasing their dreams. BBVA helps people make their dreams come true.

The Group operates in more than 30 countries. The Group has a solid position in Spain, is the largest financial institution in Mexico and has leading franchises in South America and the Sunbelt Region of the United States. It is also Turkish bank Garanti's leading shareholder. Its diversified business is based on high-growth markets and it relies on technology as a key sustainable competitive advantage.

BBVA has a responsible banking model based on seeking out a return adjusted to principles, legal compliance, best practices and the creation of long-term value for all its stakeholders.



€ 677 billion in total assets

74.5 million customers

>30 countries

7,963 branches

32,029 ATMs

125,627 employees

Data at the close of 2018. Those countries in which BBVA has no legal entity or the volume of activity is not significant are not included.

The Group's organizational chart

At the end of 2018, the Board of Directors of BBVA approved a new organizational structure, aimed at fostering the Group's transformation and businesses, while further specifying responsibilities for executive functions.

The main aspects of the new organizational structure are as follows:

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

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

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

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

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

Chief Executive Officer
Onur Genç

BUSINESS UNITS

Corporate & Investment Banking
Luisa Gómez Bravo

Country Monitoring (1)
Jorge Sáenz-Azcúnaga

Country Manager Spain
Cristina de Parias

Country Manager Mexico
Eduardo Osuna

Country Manager The United States
Javier Rodríguez Soler

Country Manager Turkey
Fuat Erbil

GLOBAL FUNCTIONS

Client Solutions
Derek White

Finance
Jaime Sáenz de Tejada

Global Risk Management
Rafael Salinas

Group Executive Chairman
Carlos Torres

TRANSFORMATION

Engineering & Organization
Ricardo Forcano

Talent & Culture
Carlos Casas

Data
David Puente

STRATEGY

Global Economics & Public Affairs
José Manuel González-Páramo

Senior Advisor to the Chairman
Juan Asúa

Strategy & M&A
Victoria del Castillo

Communications
Paul G. Tobin

LEGAL AND CONTROL

Legal
María Jesús Arribas

General Secretary
Domingo Armengol

Supervisors, Regulation & Compliance (2)
Eduardo Arbizu

Internal Audit (2)
Joaquín Gortari

(1) Reporting channel to CEO for Argentina, Colombia, Peru, Venezuela, Uruguay and Paraguay, as well as monitoring of all countries, including Spain, Mexico, The United States and Turkey
(2) Reporting to the Board of Directors through its corresponding committees

Environment

Macroeconomic environment

Global **economic growth** maintained robust throughout 2018 (approximately 3.6%), although it slowed more than expected in the second half of the year and the latest data on activity and confidence have generally given negative surprises. In particular, indicators linked to the industrial sector and international trade showed a clear deterioration, while those most closely linked to consumption and investment have resisted better. Poorer economic figures in Europe and China were accompanied by downwards trends in Asian countries and a certain cyclical deterioration in the United States that was new. The fear of a rapid global slowdown and the rise of protectionist risks also led to a sharp increase in the prices of refuge assets and capital outflows. Given this context of greater global uncertainty, and with **inflation** moderating as a result of lower oil prices, the main central banks, particularly the Federal Reserve (Fed), reacted with caution in their plans for normalization of **monetary policy**, which has been a key factor in the containment and partial reversal of tensions since the beginning of the year.

Global GDP growth and inflation in 2018
(Real percentage growth)

	GDP	Inflation
World	3.6	3.9
Eurozone	1.8	1.7
Spain	2.5	1.7
The United States	2.9	2.4
Mexico	2.2	4.9
South America [(1)]	1.3	8.4
Turkey	3.0	16.3
China	6.6	1.9

Source: BBVA Research estimates.

[(1)] It includes Argentina, Brasil, Chile, Colombia, Paraguay, Peru and Uruguay.

Digitalization and changing consumer behavior

Digital activity is outpacing growth in overall economic activity. Society is changing in line with the exponential growth in technology (internet, mobile devices, social networks, cloud, etc.). As a result, **digitalization** is therefore revolutionizing financial services worldwide. Consumers are altering their purchasing habits through use of digital technologies, which increase their ability to access financial products and services at any time and from anywhere. Greater availability of information is creating more demanding customers, who expect swift, easy and immediate responses to their needs. And digitalization is what enables the financial industry to meet these new customer demands.

Technology is the lever for change which allows the value proposition to be redefined to focus on customers' real needs. The use of **mobile devices** as the preferred and often only tool for customers' interactions with their financial institutions has changed the nature of this relationship and the way in which financial decisions are made. It is crucial to offer customers a simple, consistent and user-friendly experience, without jeopardizing security and making the most of technological resources.

Artificial intelligence (AI) and big data are two of the technologies that are currently driving the transformation of the financial industry. Their adoption by various entities translates into new services for clients that more accessible and agile, and a transformation in internal processes. AI allows, among other things, offering personalized products and recommendations to customers and make decisions more intelligently. These technologies are not only in the hands of traditional companies but Fintech also makes use of them.

Data are the cornerstone of the digital economy. Financial institutions must make the most of the opportunities offered by technology and innovation, analyzing customer behavior, needs and expectations in order to offer them personalized and value-added services, and help them in making decisions. The development of algorithms based on big data can lead to the development of new advisory tools for managing personal finances and access to products which until recently were only available to high-value segments.

The **digital transformation** of the financial industry is boosting efficiency through automation of internal processes, with the use of new technologies to remain relevant in the new environment, such as blockchain and the cloud; data exploitation; and new business models (platforms). Participation in digital ecosystems through alliances and investments provides a way to learn and take advantage of the opportunities emerging in the digital world.

The financial services market is also evolving with the arrival of **new players**: companies offering financial services to a specific segment or focused on a part of the value chain (payment, finance, etc.). These companies are digital natives, rely on data use and offer a good customer experience, sometimes exploiting a laxer regulatory framework than that for the banking sector.

Regulatory environment

1. Banking package for the reduction and distribution of risks to finalize the banking union

The most important focus in the European regulatory agenda in 2018 was the negotiation of the banking package that includes the measures proposed by the Commission intended to reduce and share risks in the banking industry. In recent years, the construction of the banking union project has made significant progress but there are still elements pending development, which regulators have been adjusting at the technical level throughout the year.

a) Prudential measures

The **prudential measures** proposed are intended to implement internationally agreed reforms between the years of 2014 and 2016 (which do not correspond to the standards known as Basel IV). Additional requirements include the requirement of a net stable financing ratio, or a leverage ratio, and the review of the capital requirements of the financial liabilities held for trading (fundamental review of the trading book - FRTB). At the same time, 2018 was the first year in which the Single Resolution Mechanism (SRM) communicated the Minimum Required Eligible Liabilities (MREL) for each European bank on the basis of the Bank Recovery and Resolution Directive 1 (BRRD 1).

b) Non-Performing Loans

In the advances made in the package of measures for the adequate recognition and valuation of **non-performing loans**, two provision backstops stand out: the addendum to the Guide on NPLs (Non-Performing Loans) of the ECB, within the supervisory dialog ensconced in Pillar II, already in force, and the proposal of the European Commission, for mandatory compliance contained within Pillar I, still under discussion. Minimum coverage levels are established for these loans based on the time they have been classified as non-performing and based on whether or not they have applicable guarantees in effect. Any lack of provisions must be deducted from the CET1 capital.

c) Guarantee systems

On the one hand, an agreement was reached to begin political negotiations involving the European deposit insurance scheme (EDIS). On the other hand, it was agreed at the June Euro Summit that the European Stability Mechanism (ESM) will evolve into the backstop for the Single Resolution Fund (SRF), with a maximum provision of €60.0 billion.

d) Sovereign risk

At the global level, the work performed by the Basel Committee establishes not to modify the regulatory treatment of sovereign exposures in the short term.

At the European level, the discussion focused on the development of a new low-risk asset backed by a set of Eurozone sovereign bonds (sovereign bond-backed securities - SBBS). According to the European Commission, these assets could potentially contribute to the diversification of the sovereign portfolios of credit institutions, as well as to reduce financial fragmentation.

These measures were encouraged in order to get all Banking Union elements operational in 2019, and thus to create greater integration and diversification in the European financial sector and to build a stronger and more resilient economic and monetary union.

2. Culmination of the Capital Markets Union (CMU)

In 2018, the European Commission advanced a number of its pending action plans to complete the Capital Markets Union (CMU) in mid-2019. These include: i) review of the Directive and Regulation of mortgage-covered bonds and the Regulation of simple, transparent and standardized securitization (STS) to boost both markets with the goal of lowering the cost of financing for the real economy and SMEs; ii) measures to facilitate the cross-border distribution of mutual funds and securities and boost the growth of SME markets; iii) a pan-European venture capital fund program (VentureEU) intended to stimulate investment in emerging and expanding innovative companies throughout Europe; and iv) a **sustainable finance** action plan, consolidating the regulatory importance of integrating this type of finance into the EU financial system, as well as the inclusion of environmental, social and governance issues (ESG) in long-term investment decision-making.

3. Reference indices: EONIA and Euribor

The revision of interbank offering rates (IBORs) continues in order to adapt them to international principles and European regulations on indexes in terms of methodology, transparency, governance and others. In 2018, the ECB formed a working group with representatives of the financial industry (ERFR) with the goal of identifying and recommending alternative risk-free indices to those existing in the eurozone today.

- The ERFR recommended the Euro Short-Term Rate (ESTER) prepared by the ECB as the alternative index to EONIA. The transition from EONIA to ESTER will be carried out in 2019 according to the ERFR work plan.

- The hybrid methodology that combines real operations and expert judgment advances in accordance with the deadlines established and could be implemented in 2019. The Euribor supervisor, FSMA (Financial Services and Markets Authority), confirmed that the results of the parallel exercise, between the current methodology and the new hybrid methodology, carried out by its administrator, EMMI (European Money Markets Institute), would allow to approve the new methodology during the second quarter of 2019.

4. Global discussions focused on the implementation of capital and resolution measures

Upon completion of the Basel III framework in December 2017, which is set to come into force in January 2022 (although some of its elements will not be fully operational until 2027), the European Commission began its preparation work in 2018 by publishing a Call for Advice (CfA) to the EBA on the implementation of Basel III in European legislation. For this reason, the EBA launched an ad-hoc quantitative impact study (QIS) in August. This exercise was based on the Basel QIS exercise, in which BBVA also participated.

With regard to financial institutions' **recovery and resolution framework**, there are open discussions that revolve around the implementation of the bail-in tool and the need for liquidity in resolution. For this reason, the Financial Stability Board (FSB) published its final guidelines on resolution funding, as well as a review on the implementation of the total loss-absorbing capacity guidelines (TLAC), in addition to bank resolution plans.

5. Regulation in the field of the digital transformation of the financial sector

In 2018, the **digital transformation** of the financial sector was specified as a priority for the authorities. In Europe, the Commission and the European Banking Authority published action plans, and in Mexico, a Law to Regulate Financial Technology Institutions was enacted. At the global level, the regulatory debate that began in 2017 intensified, and calls for greater international cooperation in the definition of the new regulatory framework for digital financial services increased.

The authorities have agreed on their identification of priorities. They have highlighted: i) the identification of measures to favor the controlled development of new business models, and barriers to the adoption of innovative technologies in the financial sector; and ii) the implementation of schemes to facilitate innovation (regulatory sandboxes -scheme to enable firms to test, pursuant to a specific testing plan agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models- and innovation hubs -point of contact for firms to raise enquiries with competent authorities on FinTech-related issues and to seek non-binding guidance on the conformity of innovative financial products, financial services or business models with licensing or registration requirements and regulatory and supervisory expectations-). A legislative proposal was presented in Spain in 2018 to create a regulatory sandbox, which will be operational in 2019.

Cybersecurity also remained among the top priorities of the financial sector and authorities. Increases in the frequency and sophistication of cyberattacks explain why work continued to improve harmonization and international cooperation throughout 2018. Cybersecurity took center stage in the agenda of the European Commission and the European Central Bank in 2018.

The new **Payment Services Directive (PSD2)** came into force in January 2018, and work continued on the process defining the technical details throughout the course of the year. This Directive seeks to encourage competition and strengthen the security of payments in Europe. To this end, it regulates access to customer payment accounts by third parties that may offer information-aggregation services and initiate payments.

Digitization makes it possible to store, process and exchange large volumes of data. This trend facilitates the adoption of technologies, such as big data or artificial intelligence, but also raises concerns about how to ensure the **privacy and integrity** of customer data. In Europe, this has materialized in the form of two regulations: the General Regulation of Data Protection (GDPR), which came into force in May 2018, and the e-Privacy Regulation, which is still under debate.

The recognition of **data** as a strategic asset in the **digital economy** increased in 2018, making it necessary to create attractive value propositions and strengthen customer confidence. In 2018, the approval of the new European regulation of free flow of non-personal data joined the open-banking regulations, such as the aforementioned PSD2 and GDPR, or the standards included under the Fintech law in Mexico, which regulate accessibility and the right to portability of data, was added in 2018.

In addition, the public debate on the role of large **technology companies** in the digital economy and financial sector intensified throughout the course of the year. In Europe, the Commission presented a proposal for regulations to delimit certain obligations in its role as a platform for the intermediation of online services, in the interest of transparency and equity. It is expected that this trend will continue throughout 2019.

Economic outlook

The **global environment** has deteriorated during the second half of 2018, with a more evident effect of the increase in protectionism in global trade and the industrial sector together with the signs of a slowdown in China, the Eurozone and the United States. Faced with this scenario of further global uncertainty, the main central banks have shown signs of caution in their normalization plans, and have been key to containing the sharp rise in financial tensions. The update of the BBVA Research scenario takes into account this new environment, and is based on the assumption that high financial volatility may continue during the first half of the year 2019, should some the uncertainties weighing on the global panorama not dissipate (an agreement between the United States and China to curb trade disputes and avoid a new tariff hike, a solution that avoids a no-deal Brexit, and confirmation of a more deliberate tone in the Fed's monetary policy). In consideration of this, BBVA Research's **forecast** is for a smooth deceleration of the global economy, from 3.6% in 2018 to 3.5% in 2019 and 3.4% in 2020.

In terms of countries, the **moderation** of growth will be more evident in developed economies. In the **United States**, the moderation observed in the second half of last year, linked to the poorer performance of domestic demand and the recent appreciation of the dollar, is likely to continue. The aforementioned, linked to the gradual disappearance of the effects of the fiscal stimuli introduced last year and without private investment taking over as an economic engine, this will lead to a projected slowdown in growth from 2.9% in 2018 to 2.5% in 2019 and 2% in 2020. The recovery in the **Eurozone** has already suffered from lower global demand and more moderate growth is expected, around 1.4% in the 2019-20 period, after the 1.8% estimated in 2018. This growth is based on the strength of domestic fundamentals and the support of an accommodative monetary and fiscal policy. This dynamic will also have an impact on **Spain's** growth, although it will still remain above the Eurozone average, with a gradual slowdown from 2.5% in 2018 to 2% in 2020.

Growth in the emerging economies will remain relatively stable, although it will hide a different pattern among countries. In general, a **slowdown** is expected in the Asian economies being negatively affected by lower growth in **China**, from 6.6% in 2018 to 6.0% in 2019 and 5.8% in 2020, while the **recovery** will gain traction in **Latin American** countries (1.6% in 2018, 2.1% in 2019 and 2.4% in 2020). Growth is set to remain relatively stable in **Mexico** and **Peru** in the 2018-20 period, while a gradual recovery is expected in **Colombia** and **Brazil**. In **Argentina**, the activity could contract again by around 1.0% in 2019 after the sharp decrease of 2.4% in 2018, due to the contractionary policies applied; however, these will be smoothed over time, which will allow growth of approximately 2.5% in 2020. In **Turkey**, the adjustment process of the economy continues after the tightening of monetary and fiscal policies to correct the imbalances generated in previous years, so that the slowdown in growth will persist in 2019 (1.0%) before starting to gain some degree of momentum in 2020 (2.5%).

The scenario continues to be that of a mild slowdown of the global economy, but remains increasingly uncertain due to **risks** as protectionism; the adjustment of activity, both in the United States as well as China; and the increasing uncertainty in Europe, mainly linked to the Brexit and other political factors.

Expected economic growth in 2019 (Percentage of GDP growth)

Source: BBVA Research.
South America: Argentina, Brazil, Chile, Colombia, Paraguay, Peru and Uruguay.

Strategy and business model

- Vision and aspiration
- Progress in BBVA's transformation journey
- Our Values
- Materiality
- Responsible banking model

Strategy and business model

BBVA made significant progress in its **transformation** process during 2018, based on its **Purpose**, the six **Strategic Priorities**, and its **Values**, all of which are fundamental pillars of the Organization's overall strategy.

Vision and aspiration

BBVA is a transformation process that is necessary for adapting to the new environment in the financial industry, characterized by trends that confirm the Group's strategic **vision**, that is, a **reconfiguration of the entire financial services industry** is taking place. These trends are the following:

- A complex **macroeconomic environment**, characterized by strong regulatory pressure, low interest rates, high currency volatility, and geopolitical risks.
- A highly regulated banking industry, that is, traditional banking subject to a large number of legal **regulations**, both globally and locally.
- A **shift** in the needs and expectations of **customers** who demand higher value-added services that enable them to achieve their objectives, with a simple, transparent and immediate relationship model similar to the one they already enjoy with a number of other highly digitized industries.
- Certain **data** that is evolving into a strategic asset. Given the large amount of data stored within organizations, the ability to interpret and make value proposals to customers is considered to be critical, provided there is customer **consent** under all circumstances.
- Certain technological giants, with business models based on data that create **ecosystems** where the lines between different types of businesses are getting blurred.
- Greater competition as a result of the arrival of **new players** who focus on the most profitable aspects of the value chain.

In this context, the main objective of the Group's transformation strategy its **aspiration** is to **strengthen the relationship with its customers**.

New value proposition

Based on our customers' real needs

Helping our customers
to make the best financial decisions offering relevant advice

Providing the best solutions
that generate trust for our customers, being clear, transparent and based on integrity

Through an easy and convenient experience
DIY through digital channels or human interaction

Our aspiration is to strengthen the relationship with the customer

With the aim of promoting the new value proposition of the Group within the framework of the transformation strategy, we want to offer customers:

- advice based on data through the development of solutions that provide them with added value, helping them to achieve their objectives, the best decision-making and providing peace of mind while strengthening the relationship of trust with BBVA; and
- products and services for customers and non-customers, 100% digital, simple and fast, through fully automated processes, and from our own and third-party channels.

For this we are supporting ourselves in:

- advance firmly in the transformation towards a truly data-driven company in which all decisions are made based on data and in which the creation of our product and service offerings is fed with data-based intelligence;
- in a software development platform that enables a global ecosystem of developers who work collaboratively to build products that customers request, increasingly rapidly and incorporating the latest technologies; and
- an agile organization, in which the teams are directly responsible for what they do, build everything from the customer's feedback and are focused on delivering the solutions that best meet the current and future needs of the clients.

Progress in BBVA's transformation journey

BBVA advanced in fulfillment of its **Purpose** in 2018: To bring the age of opportunity to everyone, which is reflected in the **tagline**: Creating Opportunities. We want to help our customers make better financial decisions and attain their life goals; we want to be more than a bank, we want to be an engine of opportunities and have a positive impact on peoples' lives and companies' businesses.

In this respect, important steps were taken in the development of the six **Strategic Priorities** of the Group throughout the year in order to continue its advances in the transformation process. These advances were reflected in the results of key performance indicators (KPIs).

OUR PURPOSE

"To bring the age of opportunity to everyone"

BBVA
Creating Opportunities

SIX STRATEGIC PRIORITIES

- New standard in customer experience
- Digital sales
- New business models
- Optimize capital allocation
- Unrivaled efficiency
- A first class workforce

Strategic priorities

1. A new standard in customer experience

BBVA Group's main focus is based on providing a new standard in customer experience that stands out for its simplicity, transparency and swiftness, further empowering its customers while offering them personalized advice.

BBVA's business model is customer-oriented, with the goal of being a leader in customer satisfaction across its global footprint. In order to learn more about the degree of customer recommendation, and, in turn, their degree of satisfaction, the Group uses the **Net Promoter Score (NPS)** methodology, which recognizes BBVA as one of the most recommendable banking entities in every country where it operates.

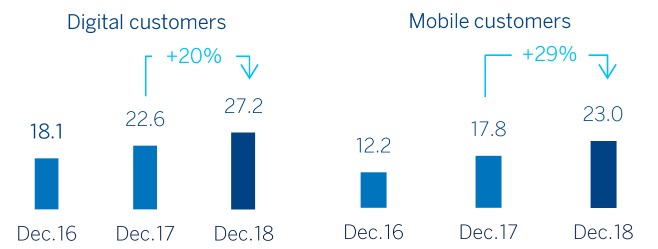
Likewise, progress in customer satisfaction is reflected in the positive performance of strategic indicators such as the **target customers** (segment of customers which the Group wishes to grow and retain), as well as its corresponding **client attrition rate**. The digital customers base are more satisfied and this translate into digital clients attrition rate reduction (-47% vs non digital clients). In short, BBVA is making progress in its strategy, and succeeding in attracting a greater number of customers, who are also more satisfied and more loyal.

2. Digital sales

BBVA's relationship model is evolving to adapt to the growing multi-channel customer profile, which is why it is essential to foster digitalization. For this purpose, it is developing an important digital offering including products and services that let customers use the most convenient channel for them.

The number of **digital and mobile customers** of the Group grew considerably in 2018, reaching the tipping point of 50% in digital customers at the Group level and in six countries where BBVA operates: Spain, The United States, Turkey, Argentina, Colombia and Venezuela.

Digital and mobile customers (BBVA Group. Million)



Furthermore, a significant boost to **digital channel sales** is being made, which is having a very positive evolution across the global footprint. In 2018, 41% of sales were made through the Group's digital channels compared to 28% in the previous year.

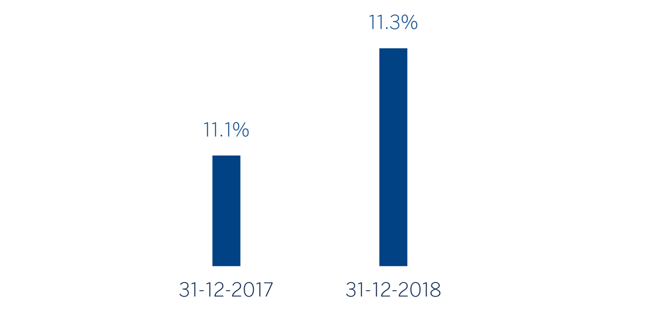
3. New business models

Throughout 2018, BBVA continued to consolidate itself as one of the leading banks in terms of digital transformation and activity in the entrepreneurship ecosystem. The Group is actively participating in the disruption of the financial industry in order to incorporate key findings into the Bank's value proposition, both through the search for new digital business models as well as the leveraging of the FinTech ecosystem. This activity is being implemented in five key levers: i) exploring (Open Talent y Open Summit); ii) constructing (Upturn and Azlo); iii) partnering (Alipay); iv) acquiring and investing (Solaris and the increase of participation in Atom); and v) venture capital (Sinovation and Propel).

4. Optimize capital allocation

The objective of this priority is to improve the profitability and sustainability of the business while simplifying and focusing it on the most relevant activities. Throughout 2018, efforts continued to promote the correct allocation of capital and this is allowing the Group to continue improving in terms of solvency. Thus, the fully-loaded CET1 capital ratio stood at 11,3% at the end of the year, up 26 basis points on the close of 2017.

CET1 fully-loaded (Percentage)



5. Unrivaled efficiency

In an environment of lower profitability for the financial industry, efficiency has become an essential priority in BBVA's transformation plan. This priority is based on building a new organizational model that is as agile, simple and automated as possible. In 2018, the Group's efficiency ratio stood at 49,3%, which is lower than the previous year (49,5%).

Efficiency ratio (Percentage)

6. A first class workforce

BBVA Group's most important asset is its people; therefore, **a first class workforce** is one of the six Strategic Priorities, which entails attracting, selecting, training, developing and retaining top-class talent.

BBVA Group has developed new people management models and new ways of working which have enabled the Bank to keep transforming its operational model, but have also promoted cultural transformation and have favored the ability to become a purpose-driven company, or, in other words, a company where staff guide their actions according to the Values, and are genuinely inspired and motivated by the same Purpose.

Our Values

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

1. Customer comes first

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

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

2. We think big

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

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

3. We are one team

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

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

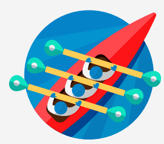
Our Values

Customer **comes first**

- We are empathetic
- We have integrity
- We meet their needs

We think **big**

- We are ambitious
- We break the mold
- We amaze our customers



We are **one team**

- I am committed
- I trust others
- I am BBVA

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. Thus, in 2018 the core values were present in the various **people management** levers (recruitment, training, development, etc.), as well as in agile and budget management processes. Within the people management levers, a new people assessment model was launched, in which the cultural skills of 97% of employees were evaluated. In the global report it has been verified that the best rated value (4.66 out of 5) and, therefore, the most focused-on principle for the Entity is the concept of Customer comes first.

In addition, in July 2018, BBVA held its first global **Values Day**, an event that took place across its global footprint, with the objective that employees reflect on the implications of values and propose actions for their effective implementation. The main activity at this global event was workshops organized to identify improvement projects and determine opportunities has for implementing its values in the Group. In these workshops:

- more than 23,000 employees (nearly 20% of the total) from different countries and areas participated;
- they took place both at corporate headquarters around the world, as well as through activities in the branch network;
- Mexico was the country with the highest participation in the workshops, with a total of 11,475 participants (31%);
- Customer comes first value was the most cited value at a global level, 47% of the participants focused on this value, and one in four employees focused on We meet their needs behavior;
- the online and individual version of the workshop that was made available to all employees through an ad-hoc web app for this event had participation levels of 63%.

In short, Values Day helped to create listening mechanisms and transform employees' feedback into data through machine-learning algorithms; thus becoming an event specific to a data-driven organization.

In addition, in 2018 BBVA shared Our Values with other stakeholders: with customers through the actions carried out in branches during the Values Day; with shareholders in the framework of the General Shareholders' Meeting; and with society in general, with the publication of articles specialized in media of different countries. More than 500 **local initiatives** have also been launched to consolidate the relationship with customers, promote the transforming vocation of teams and collaborative work schemes and encourage the feeling of belonging to BBVA.

Materiality

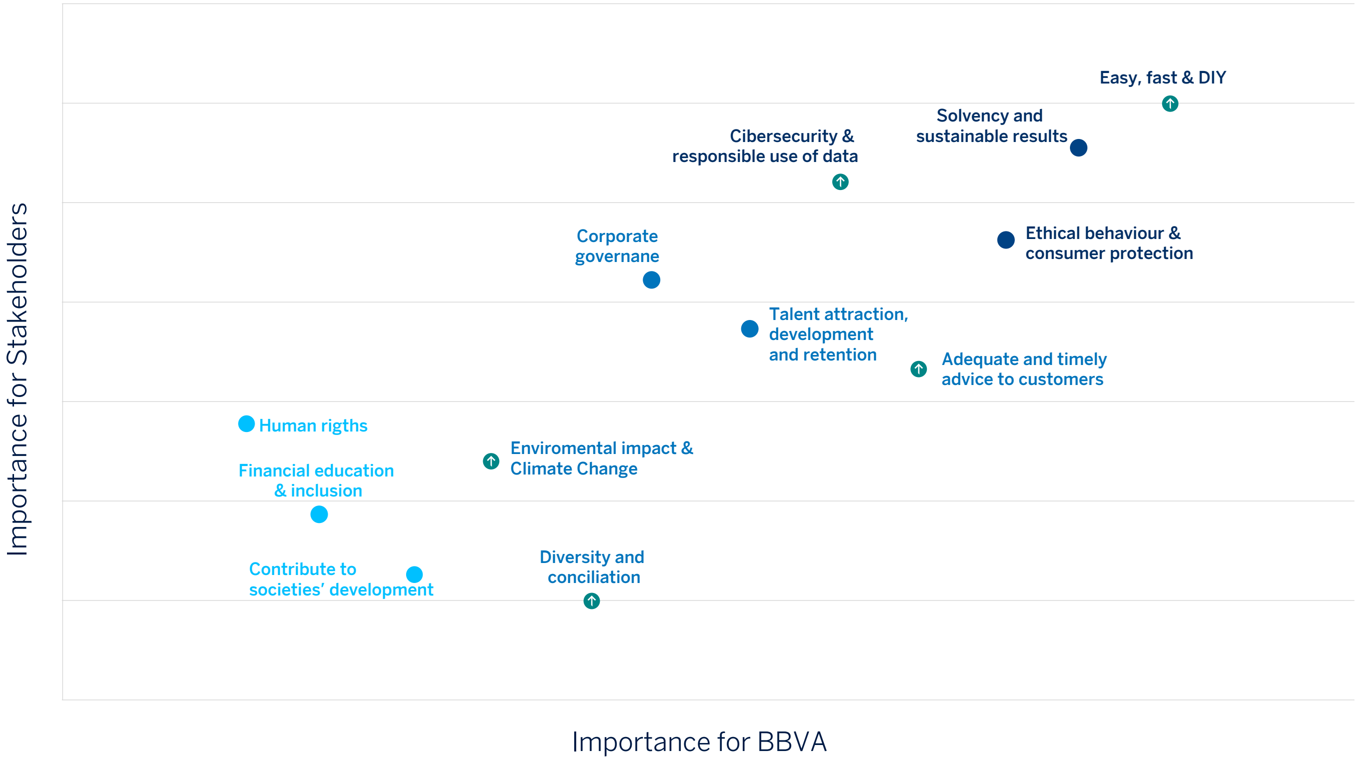
BBVA performs a materiality analysis in order to become aware of and prioritize the most relevant issues, both for its key stakeholders and for its overall strategy. In other words, it is an analysis that contributes to the development of the business strategy in line with what is expected of the Group, as well as a way to determine what information should be reported.

In 2018, in addition to the data-based analysis already in use in recent years, there has been participation from the Strategy & M&A area, and the collaboration of different stakeholder teams (Client Solutions, Talent & Culture, Investor Relations, Supervisory Relations, Legal Services, and Responsible Business). This has improved the process of identifying relevant issues and led to a deeper debate on the relationship between the priorities of the stakeholders and business strategies.

The materiality **analysis** phases were as follows:

1. Identification of relevant issues for each of the stakeholders based on interviews with the teams they interact with. These, in turn, relied on information that was obtained from the usual listening and dialog tools.
2. Agregation into a single list, based on all issues identified for each of the stakeholders. BBVA made a list of twelve issues.
3. Prioritization of issues according to their importance to the stakeholders. BBVA carried out a series of surveys and interviews with various stakeholders, as well as an analysis of social media and networks. In order to complete the prioritization, an analysis on trends and sectoral data was made, based on data from Datamaran, from which the issues most relevant to their peers were obtained.
4. Subjects were prioritized according to their impact on BBVA's strategy. The strategy team assessed how each issue impacts the six Strategic Priorities. The most relevant issues for BBVA are those that help it achieve its strategy to a greater extent.

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



Issue whose importance is expected to increase, both for stakeholders and BBVA

Therefore, the five **most relevant issues** for BBVA's business strategy and its stakeholders are (in order of joint importance):

- **Easy, fast and DIY (do it yourself)**: stakeholders expect to operate in an agile and simple way with BBVA, at any time and from anywhere, leveraging in the use of new technologies. These new technologies will allow greater efficiency in the operation, generating value for the shareholders.
- **Solvency and sustainable results**: stakeholders expect BBVA to be a robust, solvent and sustainable bank, thus contributing to the stability of the system. They demand a business model that responds to changes in the context: disruptive technologies, new competitors, geopolitical issues, etc.
- **Ethical behavior and consumer protection**: stakeholders expect BBVA to behave in a comprehensive manner and to protect clients or depositors by acting transparently, offering products that are appropriate to their risk profile and managing the ethical challenges presented by certain new technologies with integrity.
- **Adequate and timely advice to customers**: stakeholders expect BBVA to provide appropriate solutions to clients' personal needs and circumstances. It is also expected that the Bank will help them in managing their finances, proactively and with proper handling.
- **Cybersecurity and responsible use of data**: stakeholders expect their data to be secure at BBVA and to used only for agreed purposes, always complying with current law. This is critical to maintaining trust.

Information on the Group's performance in these relevant matters in 2018 is reflected in the different chapters of this annual report BBVA in 2018.

Responsible banking model

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

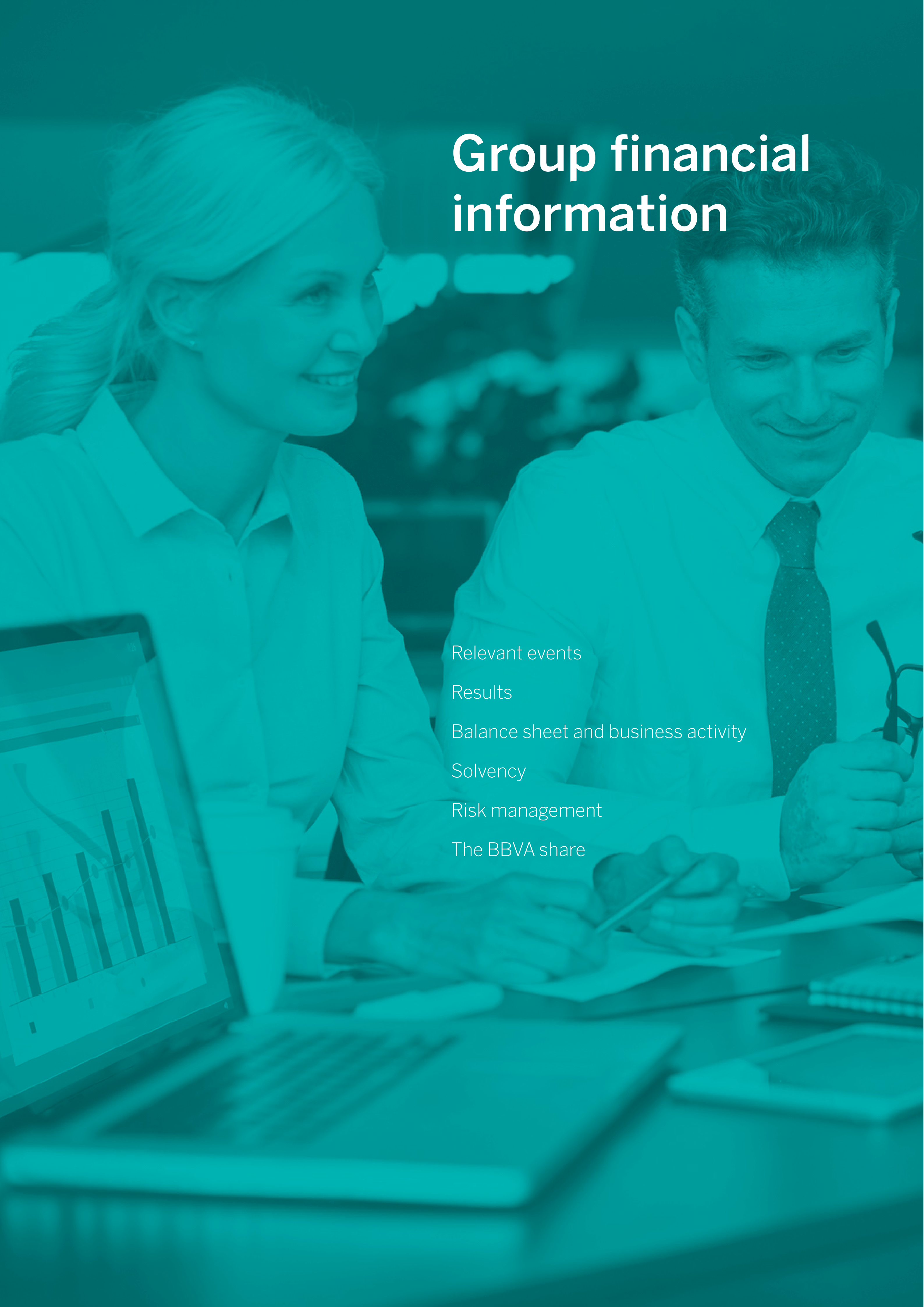
All the Group's business and support areas integrate this policy into their operational models. The Responsible Business Unit coordinates the implementation and basically operates as a second line for defining standards and offering support.

The responsible banking model is supervised by the Board of Directors and its committees, as well as by the Bank's senior management.

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

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

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



Group financial information

Group financial information

BBVA Group highlights

BBVA Group highlights (Consolidated figures)

	IFRS 9		IAS 39	
	31-12-18	Δ %	31-12-17	31-12-16
Balance sheet (millions of euros)				
Total assets	676,689	(1.9)	690,059	731,856
Loans and advances to customers (gross)	386,225	(3.5)	400,369	430,474
Deposits from customers	375,970	(0.1)	376,379	401,465
Other customer funds	128,103	(5.0)	134,906	132,092
Total customer funds	504,073	(1.4)	511,285	533,557
Total equity	52,874	(0.8)	53,323	55,428
Income statement (millions of euros)				
Net interest income	17,591	(0.9)	17,758	17,059
Gross income	23,747	(6.0)	25,270	24,653
Operating income	12,045	(5.7)	12,770	11,862
Protit/(loss) before tax	7,580	9.4	6,931	6,392
Net attributable profit	5,324	51.3	3,519	3,475
The BBVA share and share performance ratios				
Number of shares (million)	6,668	-	6,668	6,567
Share price (euros)	4.64	(34.8)	7.11	6.41
Earning per share (euros) (1)	0.76	55.9	0.48	0.49
Book value per share (euros)	7.12	2.2	6.96	7.22
Tangible book value per share (euros)	5.86	2.9	5.69	5.73
Market capitalization (millions of euros)	30,909	(34.8)	47,422	42,118
Yield (dividend/price; %)	5.4		4.2	5.8
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	11.6		7.4	7.3
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	14.1		9.1	9.2
ROA (Profit or loss for the year/average total assets)	0.91		0.68	0.64
RORWA (Profit or loss for the year/average risk-weighted assets - RWA)	1.74		1.27	1.19
Efficiency ratio	49.3		49.5	51.9
Cost of risk	1.01		0.89	0.85
NPL ratio	3.9		4.6	5.0
NPL coverage ratio	73		65	70
Capital adequacy ratios (%)				
CET1 fully-loaded	11.3		11.1	10.9
CET1 phased-in (3)	11.6		11.7	12.2
Tier 1 phased-in (3)	13.2		13.0	12.9
Total ratio phased-in (3)	15.7		15.5	15.1
Other information				
Number of shareholders	902,708	1.3	891,453	935,284
Number of employees	125,627	(4.7)	131,856	134,792
Number of branches	7,963	(3.7)	8,271	8,660
Number of ATMs	32,029	1.1	31,688	31,120

General note: data as of 31-12-17 and 31-12-16 are presented for comparison purposes only.

(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 10.1%, in 2018; 6.7%, in 2017; and 6.9%, in 2016; and the ROTE at 12.0%, 8.0% and 8.6%, respectively.

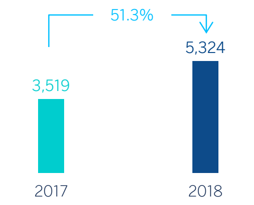
(3) As of December,31 2018 phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of Capital Requirements Regulation (CRR). The capital ratios are calculated under CRD IV from Basel III regulation, in which a phase-in of 80% is applied for 2017 and a phase-in of 60% for 2016.

Relevant events

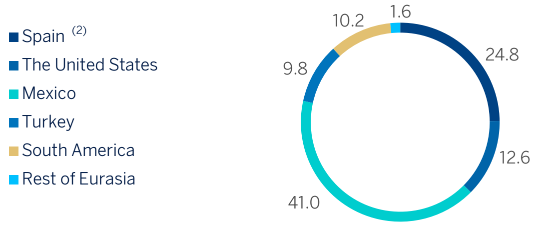
Results

- Generalized growth in the **more recurring revenue items** for almost all business areas.
- Containment trend in **operating expenses**, whose performance is affected by exchange rates trends.
- Lower amount **of impairment on financial assets not measured at fair value through profit or loss** (hereinafter, "impairment on financial assets") affected by the negative impact of the recognition in the fourth quarter of 2017 of impairment losses, amounting €1,123m from BBVA's stake in Telefónica, S.A.
- The financial statements of the Group for 2018 include, on one hand, the negative impact derived from the accounting for **hyperinflation in Argentina** (-€266m) in the net attributable profit, and on the other hand, the positive impact on equity of €129m.
- The result of **corporate operations** amounted to €633m and includes the capital gains (net of taxes) arising from the **sale** of BBVA's equity stake in **BBVA Chile**.
- The net attributable **profit** was €5,324m, 51.3% higher than in 2017.
- **Net attributable profit excluding results from corporate operations** stood at €4,691m, up 33.3% higher than the result reached in 2017.

Net attributable profit (Millions of euros)



Net attributable profit breakdown [(1)] (Percentage. 2018)

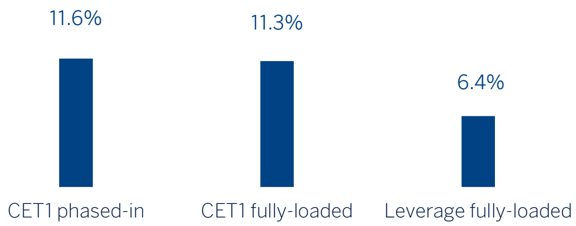


[(1)] Excludes the Corporate Center.
[(2)] Includes the areas Banking activity in Spain and Non Core Real Estate.

Balance sheet and business activity

- Lower volume of **loans and advances to customers** (gross); however, by business areas, in the United States, Mexico, South America (excluding BBVA Chile) and Rest of Eurasia volumes increased.
- **Non-performing loans** continue to reduce in 2018.
- Within **off-balance-sheet funds**, mutual funds continue to perform positively.

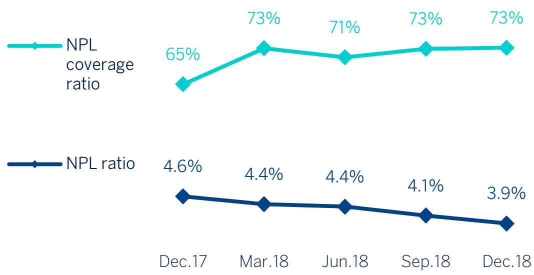
Capital and leverage ratios (Percentage as of 31-12-18)



Solvency

- The **capital** position is above regulatory requirements.
- BBVA has once again excelled in EU-wide bank stress tests thanks to its resilience in the face of potential economic shocks. According to the exercise results, under the adverse scenario, BBVA is the second bank among its European peers with lower negative impact in CET1 fully-loaded capital ratio and one of the few banks with the ability to generate an accumulated profit in the three-year period under analysis (2018, 2019, and 2020), under this scenario.

NPL and NPL coverage ratios (Percentage)



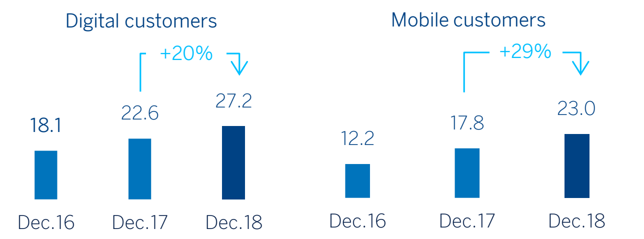
Risk management

- Solid indicators of the main **credit-risk metrics**: as of 31-December-2018, the NPL ratio closed at 3.9%, the NPL coverage ratio at 73% and the cumulative cost of risk at 1.01%.

Transformation

- The Group's **digital and mobile customer base** and **digital sales** continue to increase in all the geographic areas where BBVA operates with a positive impact in efficiency.

Digital and mobile customers (Million)



Appointments

- BBVA's Board of Directors, in its meeting held on December 20, 2018, approved the **succession plans for the Group Executive Chairman and for the Chief Executive Officer** and appointed Carlos Torres Vila as Executive Chairman of BBVA, replacing Francisco González Rodríguez and Onur Genç as member of the Board of Directors and as Chief Executive Officer of BBVA. The Board of Directors also approved organisational changes, which involve changes at the senior management level of BBVA Group. On December, 21st, BBVA received the required administrative authorisations to give full effect to the resolutions approved.

Other matters of interest

- On December, 26th, BBVA reached an agreement with Voyager Investing UK Limited Partnership, an entity managed by Canada Pension Plan Investment Board ("CPPIB") for the transfer of a credit portfolio mainly composed by non-performing and defaulted mortgage loans. The closing of the Transaction will be completed as soon as the relevant conditions are fulfilled, which is expected to occur within the second quarter of 2019. In addition, it is expected that the impact in the Group's attributable profit, which is currently expected to be positive by €150m, net of taxes and other adjustments, and the impact in the Common Equity Tier 1 (fully-loaded), which is expected to be slightly positive.

- Impact of the initial implementation of IFRS 9: The figures corresponding to 2018 are prepared under International Financial Reporting Standard 9 (IFRS 9), which entered into force on January 1, 2018. This new accounting standard did not require the restatement of comparative information from prior periods, so the comparative figures shown for the year 2017 have been prepared in accordance with the IAS 39 (International Accounting Standard 39) regulation applicable at that time. The impacts derived from the first application of IFRS 9, as of January 1, 2018, were registered with a charge to reserves of approximately €900m (net of fiscal effect) mainly due to the allocation of provisions based on expected losses, compared to the model of losses incurred under the previous IAS 39.

  In capital, the impact derived from the first application of IFRS 9 has been a reduction of 31 basis points with respect to the fully-loaded CET1 ratio of December 2017.

- IFRS 16 came into effect on January 1, 2019, a standard on leases introduces a single lessee accounting model and will require lessees to recognize assets and liabilities of all lease contracts. The main impact in the Group is the recognition of the right-of-use assets and lease liabilities in an approximate amount of €3,600m mainly coming from the Group's activity in Spain and lease of premises of its branch network. The estimated impact in terms of capital for the Group amounts to approximately -12 basis points in terms of CET1.

- Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA, S.A.") stand-alone financial statements: BBVA has estimated that, mainly due to the depreciation of the Turkish lira, there is an impairment of its participation in Garanti Bank that only affects the stand-alone financial statements of BBVA, S.A. For this reason, a negative adjustment for a net amount of €1,517m has been registered in the income statement of BBVA, S.A. for the year 2018. Total equity for BBVA, S.A. as of December 31, 2018 has decreased by this same amount. The impact on the fully-loaded CET1 capital ratio of BBVA, S.A. is approximately -10 basis points.

  It is important to note that the recognition of this accounting impact in the stand-alone financial statements of BBVA, S.A. does not generate any impact on the Consolidated Group (neither on the attributed profit, total equity or capital ratios), it does not generate any additional cash outflow and will not affect the dividend distribution to shareholders.

Results

BBVA generated a net attributable **profit** of €5,324m in 2018, which represents a year-on-year increase of 51.3% (+78.2% at constant exchange rates) that includes the results from corporate operations originated by the capital gains (net of taxes) from the sale of BBVA Chile. Moreover, at constant exchange rates, it is worth mentioning the good performance of recurring revenue, lower loan-loss impairments (affected by the negative impact of the recognition in the fourth quarter of 2017 of impairment losses, amounting €1,123m from BBVA stake in Telefónica, S.A.) and provisions, which offsets the lower contribution from net trading income (NTI) compared to the same period the previous year.

Consolidated income statement: quarterly evolution (Millions of euros)

	IFRS 9				IAS 39			
	2018				2017			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,692**	**4,256**	**4,355**	**4,288**	**4,557**	**4,399**	**4,481**	**4,322**
Net fees and commissions	1,226	1,161	1,256	1,236	1,215	1,249	1,233	1,223
Net trading income	316	200	297	410	552	347	378	691
Dividend income	62	11	72	12	86	35	169	43
Share of profit or loss of entities accounted for using the equity method	(19)	(3)	6	8	5	6	(2)	(5)
Other operating income and expenses	(126)	(102)	(10)	142	(54)	154	77	108
Gross income	**6,151**	**5,522**	**5,977**	**6,096**	**6,362**	**6,189**	**6,336**	**6,383**
Operating expenses	(2,981)	(2,779)	(2,963)	(2,979)	(3,114)	(3,075)	(3,175)	(3,137)
Personnel expenses	(1,557)	(1,438)	(1,560)	(1,566)	(1,640)	(1,607)	(1,677)	(1,647)
Other administrative expenses	(1,119)	(1,044)	(1,105)	(1,106)	(1,143)	(1,123)	(1,139)	(1,136)
Depreciation	(305)	(297)	(299)	(307)	(331)	(344)	(359)	(354)
Operating income	**3,170**	**2,743**	**3,014**	**3,117**	**3,248**	**3,115**	**3,161**	**3,246**
Impairment on financial assets not measured at fair value through profit or loss	(1,353)	(1,018)	(788)	(823)	(1,885)	(976)	(997)	(945)
Provisions or reversal of provisions	(66)	(121)	(86)	(99)	(180)	(201)	(193)	(170)
Other gains (losses)	(183)	(36)	67	41	(267)	44	(3)	(66)
Profit/(loss) before tax	**1,568**	**1,569**	**2,207**	**2,237**	**916**	**1,982**	**1,969**	**2,065**
Income tax	(421)	(428)	(602)	(611)	(499)	(550)	(546)	(573)
Profit/(loss) after tax from ongoing operations	**1,147**	**1,141**	**1,604**	**1,626**	**417**	**1,431**	**1,422**	**1,492**
Results from corporate operations (1)	-	633	-	-	-	-	-	-
Profit/(loss) for the year	**1,147**	**1,774**	**1,604**	**1,626**	**417**	**1,431**	**1,422**	**1,492**
Non-controlling interests	(145)	(100)	(295)	(286)	(347)	(288)	(315)	(293)
Net attributable profit	**1,001**	**1,674**	**1,309**	**1,340**	**70**	**1,143**	**1,107**	**1,199**
Net attributable profit excluding results from corporate operations	**1,001**	**1,040**	**1,309**	**1,340**	**70**	**1,143**	**1,107**	**1,199**
Earning per share (euros) (2)	**0.14**	**0.24**	**0.18**	**0.19**	**(0.00)**	**0.16**	**0.16**	**0.17**

General note: the data for the quarters of 2018 are presented as proforma which are considered as Alternative Performance Measures (APM), the accumulated effect being fully collected to reflect the impact derived from the accounting for hyperinflation in Argentina between 1-1-2018 and 30-9-2018 in the third quarter of 2018, without having been reexpressed the data shown in the previous table for the first and second quarter of 2018.

(1) Includes net capital gains from the sale of BBVA Chile.

(2) Adjusted by additional Tier 1 instrument remuneration.

Consolidated income statement (Millions of euros)

	IFRS 9			IAS 39
	2018	Δ%	Δ% at constant exchange rates	2017
Net interest income	**17,591**	**(0.9)**	**10.8**	**17,758**
Net fees and commissions	4,879	(0.8)	8.9	4,921
Net trading income	1,223	(37.8)	(33.9)	1,968
Dividend income	157	(52.9)	(52.0)	334
Share of profit or loss of entities accounted for using the equity method	(7)	n.s.	n.s.	4
Other operating income and expenses	(96)	n.s.	n.s.	285
Gross income	**23,747**	**(6.0)**	**4.3**	**25,270**
Operating expenses	(11,702)	(6.4)	2.5	(12,500)
Personnel expenses	(6,120)	(6.9)	2.0	(6,571)
Other administrative expenses	(4,374)	(3.7)	6.1	(4,541)
Depreciation	(1,208)	(12.9)	(6.5)	(1,387)
Operating income	**12,045**	**(5.7)**	**6.2**	**12,770**
Impairment on financial assets not measured at fair value through profit or loss	(3,981)	(17.1)	(12.0)	(4,803)
Provisions or reversal of provisions	(373)	(49.9)	(47.1)	(745)
Other gains (losses)	(110)	(62.1)	(63.0)	(292)
Profit/(loss) before tax	**7,580**	**9.4**	**30.4**	**6,931**
Income tax	(2,062)	(4.9)	9.2	(2,169)
Profit/(loss) after tax from ongoing operations	**5,518**	**15.9**	**40.6**	**4,762**
Results from corporate operations [1]	633	-	-	-
Profit/(loss) for the year	**6,151**	**29.2**	**56.7**	**4,762**
Non-controlling interests	(827)	(33.5)	(11.7)	(1,243)
Net attributable profit	**5,324**	**51.3**	**78.2**	**3,519**
Net attributable profit excluding results from corporate operations	**4,691**	**33.3**	**57.0**	**3,519**
Earning per share (euros) [2]	**0.76**			**0.48**

[1] Includes net capital gains from the sale of BBVA Chile..
[2] Adjusted by additional Tier 1 instrument remuneration.

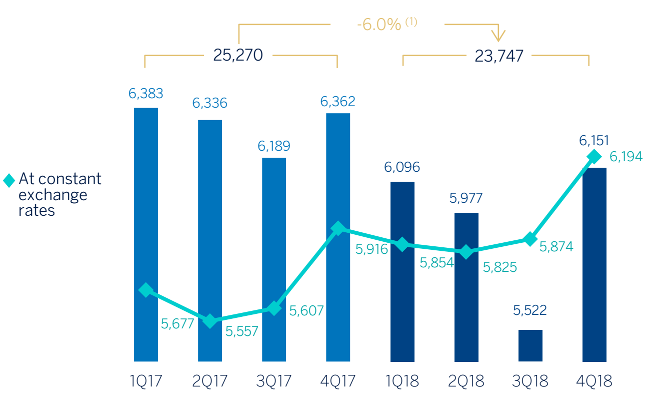
Unless expressly indicated otherwise, to better understand the changes in the main headings of the Group's income statement, the year-on-year percentage changes provided below refer to **constant exchange rates**.

Gross income

Gross income accumulated in the period grew by 4.3% year-on-year, supported by the positive performance of the more recurring items.

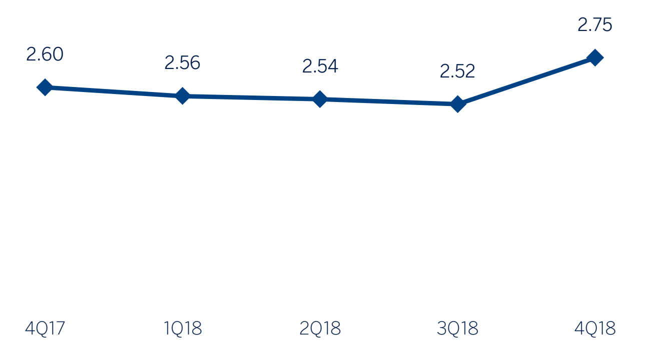
Net interest income grew by 10.8% year-on-year, leveraged mainly by higher contribution from inflation-linked bonds in Turkey. The other business areas, with the exception of Spain and Rest of Eurasia, also registered positive year-on-year changes, with Mexico, South America and the United States standing out, in this order, for its contribution. In the fourth quarter, net interest income grew by 5.2% in comparison with the previous quarter.

Gross income (Millions of euros)



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

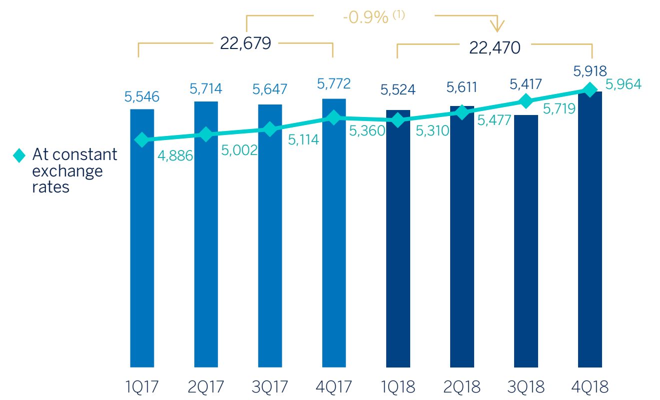
Net interest income/ATAs (Percentage)



On the other hand, cumulative **net fees and commissions** (up 8.9% year-on-year) also registered a favorable evolution highly driven by their diversification. The quarterly figure performed well (up 1.1% in the fourth quarter).

As a result, the **more recurring revenue items** (net interest income plus net fees and commissions) increased by 10.4% year-on-year (up 4.3% over the third quarter).

Net interest income plus net fees and commissions (Millions of euros)



(1) At constant exchange rates +10.4%.

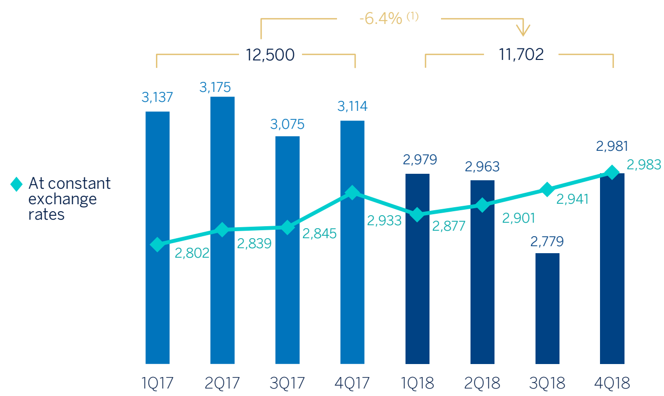
NTI in 2018 moderated in comparison with the previous year, when it was exceptionally high, largely due to the registration of the capital gains of €228m before taxes, from market sales of the stake in China Citic Bank (CNCB): €204m in the first quarter, from the sale of 1.7% stake, and €24m in the third quarter from the sale of the remaining 0.34%. There have also been lower sales of ALCO portfolios in Spain in the first nine months of 2018 compared to the same period of the previous year. By business areas, NTI had a good performance in South America and Turkey.

Other operating income and expenses closed at -€96m in 2018 compared to €285m in 2017, mainly due to negative impact of the hyperinflation in Argentina which meant -€323m in this line of the income statement. The change is also explained by the higher contribution, amounting to €44m, to the Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF) in Spain. The net contribution of the insurance business grew by 8.7% in cumulative terms (+15.4% in the fourth quarter).

Operating income

Operating expenses in 2018 registered an increase of 2.5%, year-on-year, well below the inflation rate recorded in the main countries where BBVA is present (down 6.4% at current exchange rates). Cost discipline has been maintained in all the Group's areas through various efficiency plans. By business area the biggest year-on-year reductions were in Banking activity in Spain and Non Core Real Estate. In the United States, Mexico and Turkey the growth of operating expenses was lower than the growth of gross income.

Operating expenses (Millions of euros)

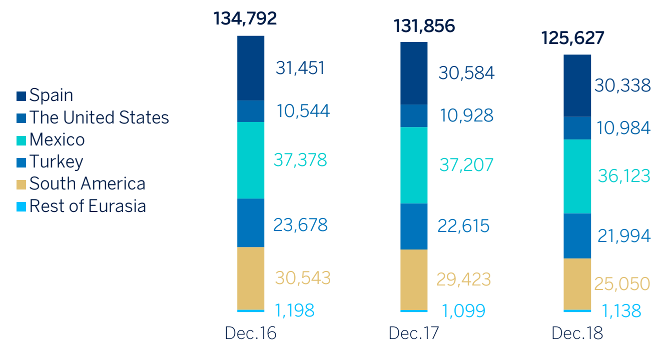


(1) At constant exchange rates: +2.5%.

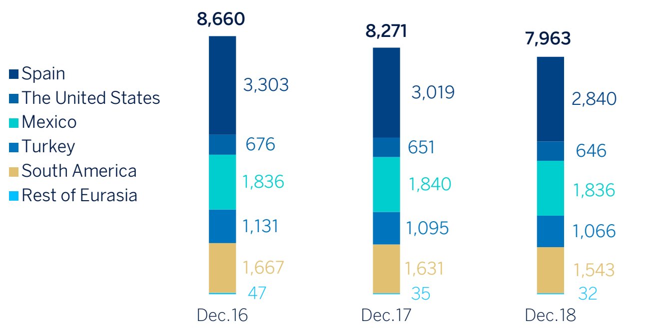
Breakdown of operating expenses and efficiency calculation (Millions of euros)

	2018	Δ%	2017
Personnel expenses	**6,120**	**(6.9)**	**6,571**
Wages and salaries	4,786	(7.3)	5,163
Employee welfare expenses	869	(4.6)	911
Training expenses and other	465	(6.4)	497
Other administrative expenses	**4,374**	**(3.7)**	**4,541**
Property, fixtures and materials	982	(5.0)	1,033
IT	1,133	11.2	1,018
Communications	235	(12.7)	269
Advertising and publicity	336	(4.5)	352
Corporate expenses	109	(0.8)	110
Other expenses	1,162	(10.7)	1,301
Levies and taxes	417	(8.6)	456
Administration costs	**10,494**	**(5.6)**	**11,112**
Depreciation	**1,208**	**(12.9)**	**1,387**
Operating expenses	**11,702**	**(6.4)**	**12,500**
Gross income	**23,747**	**(6.0)**	**25,270**
Efficiency ratio (operating expenses/gross income; %)	**49.3**		**49.5**

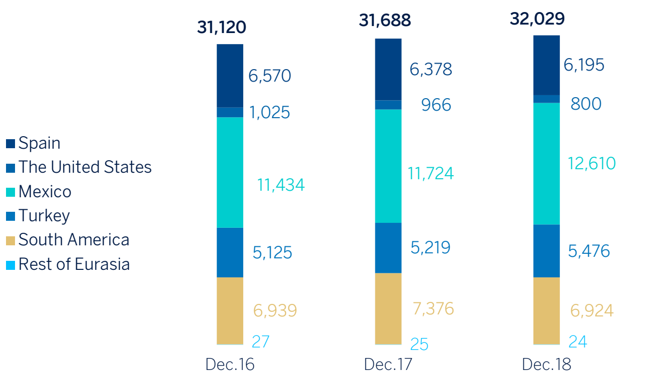
Number of employees



Number of branches

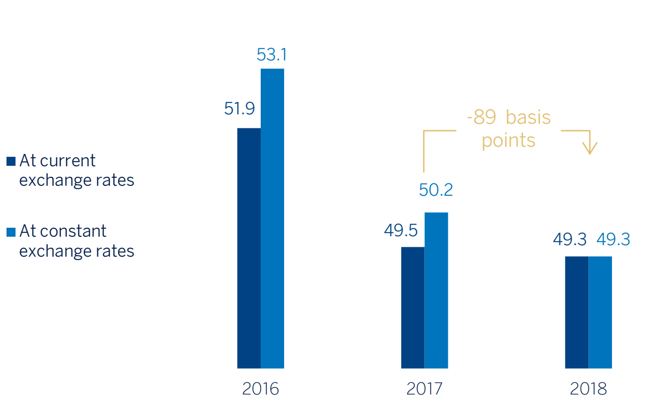


Number of ATMs

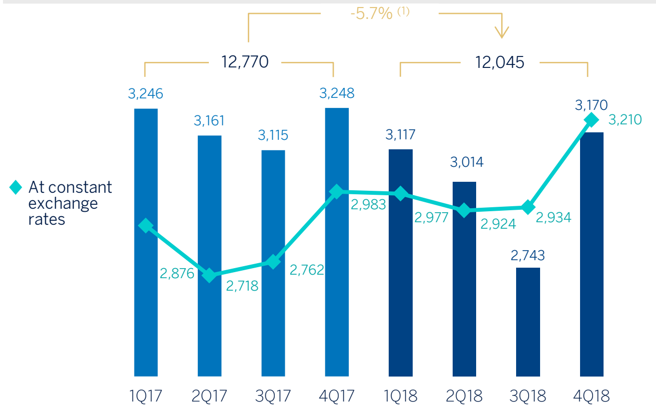


As a consequence of this evolution of operating expenses, the **efficiency** ratio stood at 49.3% and the **operating income** posted a year-on-year growth of 6.2% (+9.4% in the last quarter of 2018).

Efficiency ratio (Percentage)



Operating Income (Millions of euros)

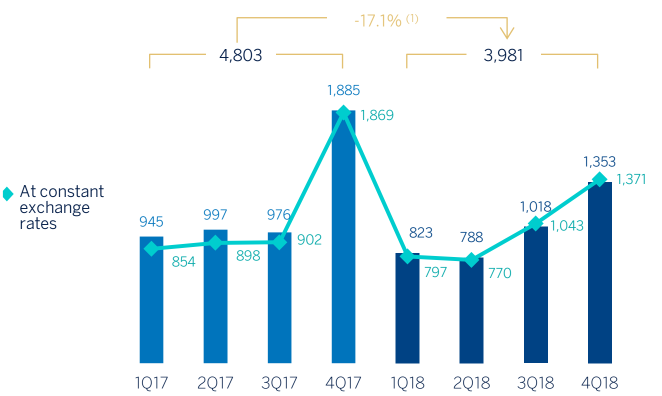


(1) At constant exchange rates: +6.2%.

Provisions and other

Impairment losses on financial assets in 2018 decreased by 12.0% in comparison with the figure for 2017, affected by the negative impact of the recognition in 2017 of impairment losses, amounting €1,123m from BBVA stake in Telefónica, S.A. as a result of the evolution of the price of the latter and in compliance with the requirements of the accounting standard IAS 39 which was in force at that point in time. By business area, they continued to fall in Spain, due to lower loan-loss provisioning requirements for large customers. In contrast, they increased, especially in Turkey, due to the deterioration of the macroeconomic scenario and some wholesale-customers and to a lesser extent in South America. On the other hand, Mexico stood in line with 2017.

Impairment on financial assets (Millions of euros)



(1) At constant exchange rates: -12.0%.

The heading **provisions or reversal of provisions** (hereinafter, provisions) was 47.1% lower than the figure of 2017, as a result of lower restructuring costs in 2018. The line **other gains (losses)** showed a negative balance, due mainly to certain operations with an unfavorable effect from the Non Core Real Estate area, recorded in the last quarter.

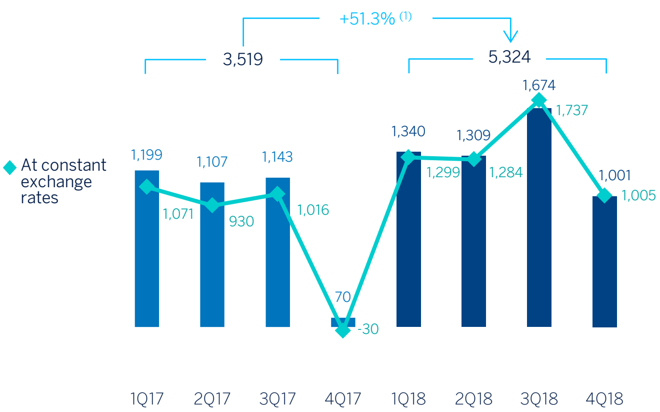
The heading **results from corporate operations** amounted to €633m and registered the capital gains (net of taxes) originated by the sale of BBVA'S equity stake in BBVA Chile.

Results

As a result of the above, the Group's **net attributable profit** accumulated in 2018 reached an amount of €5,324m and continued to show a very positive year-on-year evolution (up 78.2% at constant exchange rates, up 51.3% at current exchange rates). The **net attributable profit, excluding results from corporate operations**, stood at €4,691m, or 33.3% higher than the amount recorded for the previous year, when operations of this kind were not carried out (up 57.0% at constant exchange rates).

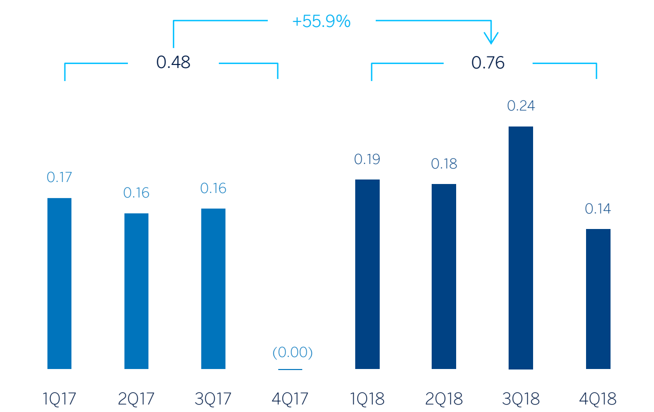
By **business area**, Banking activity in Spain generated a profit of €1,522m, Non Core Real Estate a loss of €78m, the United States contributed a profit of €735m, Mexico registered €2,384m, Turkey contributed a profit of €569m, South America €591m and the Rest of Eurasia €93m.

Net attributable profit (Millions of euros)



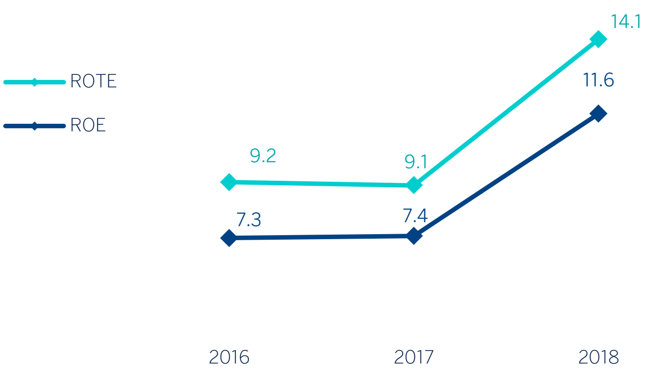
(1) At constant exchange rates: +78.2%.

Earning per share (1) (Euros)



(1) Adjusted by additional Tier 1 instrument remuneration.

ROE and ROTE (1) (Percentage)



(1) The ROE and ROTE ratios include, in the denominator, the Group's average shareholders' funds 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 6.9% in 2016, 6.7% in 2017 and 10.1% in 2018; and the ROTE on 8.6%, 8.0% and 12.0%, respectively.

ROA and RORWA (Percentage)

Balance sheet and business activity

The year-on-year comparison of the Group´s balance sheet and business activity has been affected by the **sale of BBVA Chile**, completed in July 2018 and therefore as of December 31, 2018, was not included within BBVA's perimeter.

The **evolution** of the Group's balance sheet and activity are presented below, from the opening balance sheet after the first implementation of IFRS 9 until the end of December 2018. These figures include the new categories comprised in the aforementioned standard.

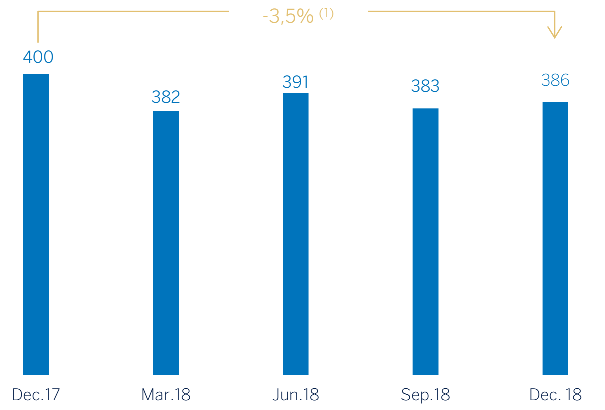
Regarding the Group's activity, the most significant aspects during this period are summarized below:

- Lower volume of **loans and advances to customers** (gross); however, by business area, in the United States, Mexico, South America (excluding BBVA Chile) and Rest of Eurasia volumes increased.
- **Non-performing loans** fell mainly due to a favorable trend in Spain and, to a lesser extent, in South America and Rest of Eurasia.
- The headings of **other assets and other liabilities** are affected by the sale of BBVA Chile completed in July 2018. Until then, these items included BBVA Chile's balance sheet reclassified in the category of non-current assets and liabilities held for sale.
- In **deposits** from customers, time deposits showed a decrease, offset by an increase in demand deposits, particularly in Spain.
- In **off-balance-sheet funds**, mutual funds continued to perform well.

Consolidated balance sheet (Millions of euros)

	31-12-18	Δ %	01-01-18
Cash, cash balances at central banks and other demand deposits	58,196	36.4	42,680
Financial assets held for trading	90,117	(1.9)	91,854
Non-trading financial assets mandatorily at fair value through profit or loss	5,135	15.4	4,451
Financial assets designated at fair value through profit or loss	1,313	28.9	1,019
Financial assets at fair value through accumulated other comprehensive income	56,337	(9.3)	62,115
Financial assets at amortized cost	419,660	(0.5)	421,685
Loans and advances to central banks and credit institutions	13,103	(26.0)	17,716
Loans and advances to customers	374,027	0.0	374,009
Debt securities	32,530	8.6	29,959
Investments in subsidiaries, joint ventures and associates	1,578	(0.7)	1,589
Tangible assets	7,229	0.5	7,191
Intangible assets	8,314	(1.8)	8,464
Other assets	28,809	(40.4)	48,368
Total assets	**676,689**	**(1.8)**	**689,414**
Financial liabilities held for trading	80,774	(0.0)	80,783
Other financial liabilities designated at fair value through profit or loss	6,993	27.3	5,495
Financial liabilities at amortized cost	509,185	0.6	506,118
Deposits from central banks and credit institutions	59,259	(14.0)	68,928
Deposits from customers	375,970	3.4	363,689
Debt certificates	61,112	(0.9)	61,649
Other financial liabilities	12,844	8.4	11,851
Liabilities under insurance contracts	9,834	6.6	9,223
Other liabilities	17,029	(51.9)	35,392
Total liabilities	**623,814**	**(2.1)**	**637,010**
Non-controlling interests	5,764	(17.7)	7,008
Accumulated other comprehensive income	(7,215)	2.6	(7,036)
Shareholders' funds	54,326	3.6	52,432
Total equity	**52,874**	**0.9**	**52,404**
Total liabilities and equity	**676,689**	**(1.8)**	**689,414**
Memorandum item:			
Guarantees given	47,574	5.2	47,668

Loans and advances to customers (gross) (Billions of euros)

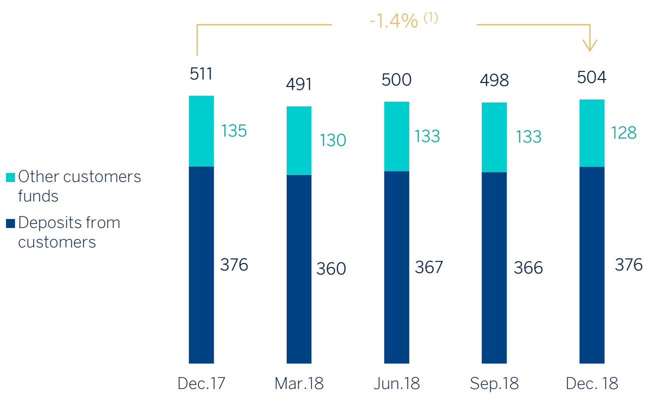


(1) At constant exchange rates: -0.2%.

Loans and advances to customers (Millions of euros)

	IFRS 9		IAS 39
	31-12-18	Δ %	31-12-17
Public sector	**28,504**	**(4.7)**	**29,921**
Individuals	**170,501**	**3.6**	**164,578**
Mortgages	111,527	(0.7)	112,274
Consumer	33,063	3.0	32,092
Credit cards	13,507	(0.9)	13,630
Other loans	12,404	88.5	6,581
Business	**170,872**	**(8.4)**	**186,479**
Non-performing loans	**16,348**	**(15.7)**	**19,390**
Loans and advances to customers (gross)	**386,225**	**(3.5)**	**400,369**
Loan-loss provisions	(12,199)	(4.3)	(12,748)
Loans and advances to customers	**374,027**	**(3.5)**	**387,621**

Customer funds (Billions of euros)



(1) At constant exchange rates: +0.6%.

Customer funds (Millions of euros)

	IFRS 9		IAS 39
	31-12-18	Δ %	31-12-17
Deposits from customers	**375,970**	**(0.1)**	**376,379**
Of which current accounts	260,573	8.2	240,750
Of which time deposits	108,313	(6.4)	115,761
Other customer funds	**128,103**	**(5.0)**	**134,906**
Mutual funds and investment companies	61,393	0.7	60,939
Pension funds	33,807	(0.5)	33,985
Other off-balance sheet funds	2,949	(4.3)	3,081
Customer portfolios	29,953	(18.8)	36,901
Total customer funds	**504,073**	**(1.4)**	**511,285**

Solvency

Capital base

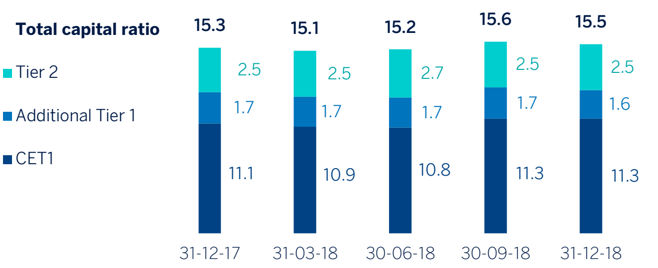
The **fully-loaded CET1** ratio stood at 11.3% for the period ended December 31, 2018. In the third quarter of 2018, the sale of the stake in BBVA Chile generated a positive impact on the fully-loaded CET1 ratio of 50 basis points. Additionally, the transfer of BBVA's real estate business in Spain to Cerberus had a positive impact on the ratio, although it was not material. It is noted that this ratio includes the impact of -31 basis points for first application of IFRS 9, which came into force January 1, 2018. In this context, the Parliament and the European Commission have established transitional arrangements that are voluntary for the institutions, adapting the impact of IFRS 9 on capital adequacy ratios. The Group has informed the supervisory body of its adherence to these arrangements.

Risk-weighted assets (RWA) have decreased in the year, mainly due to the sale of BBVA Chile and the depreciations of currencies against the euro. During 2018, the Group carried out three securitizations whose impact, through the release of risk weighted assets, was a positive in the amount of €971m. In addition, BBVA received European Central Bank (ECB) authorization to update the RWA calculation by structural exchange rate risk under the standard model.

Regarding capital **issues**, during the first part of the year, the Group computed a new issuance in the amount of US$1,000m, carried out in November 2017, of contingent convertible bonds that may be converted into ordinary shares (CoCos) as an AT1 instrument. In May, another AT1 instrument for US$1,500m issued in 2013 was redeemed early. During the second part of the year, in September, the Group carried out a new issuance of contingent convertible bonds for €1,000m and more recently, in January 2019, announced that it would exercise the early redemption option for the AT1 instrument for €1,500m issued in February 2014.

The Group has continued with its program to meet the **MREL** requirements, published in May 2018, by closing two public issuances of non-preferred senior debt for a total of €2,500m. The Group estimates that it is currently in line with this MREL requirement.

Evolution of fully-loaded capital ratios (Percentage)



Capital base (Millions of euros)

	CRD IV phased-in			CRD IV fully-loaded		
	31-12-18 [1]	31-12-17	30-09-18	31-12-18 [1]	31-12-17	30-09-18
Common Equity Tier 1 (CET 1)	40,311	42,341	39,662	39,569	40,061	38,925
Tier 1	45,945	46,980	45,765	45,044	46,316	44,868
Tier 2	8,754	9,134	8,847	8,859	8,891	8,670
Total Capital (Tier 1 + Tier 2)	**54,699**	**56,114**	**54,612**	**53,903**	**55,207**	**53,538**
Risk-weighted assets	**348,254**	**361,686**	**343,051**	**348,795**	**361,686**	**343,271**
CET1 (%)	11.6	11.7	11.6	11.3	11.1	11.3
Tier 1 (%)	13.2	13.0	13.3	12.9	12.8	13.1
Tier 2 (%)	2.5	2.5	2.6	2.5	2.5	2.5
Total capital ratio (%)	**15.7**	**15.5**	**15.9**	**15.5**	**15.3**	**15.6**

General note: as of December 31 and September 30 of 2018, the main difference between the phased-in and fully loaded ratios arises from the temporary treatment of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with Article 473bis of the CRR).
[1] Preliminary data. Excludes the February 2014 issuance of 1,500 million euros from AT1 which has been amortized in advance in February 2019.

Regarding **shareholder remuneration**, on October, 10th BBVA paid a cash dividend with a gross amount of €0.10 per share against the 2018 fiscal year account. In addition, on April 10, 2018, BBVA paid a final dividend against the 2017 fiscal year account for an amount of €0.15 gross per share, also in cash. Both distributions are consistent with the Group's shareholder remuneration policy, which consists of maintaining a pay-out ratio of 35-40% of recurring profit.

As of December 31, 2018, the **phased-in CET1** ratio stood at 11.6%, taking into account the impact of the initial implementation of IFRS 9. **Tier 1** capital stood at 13.2% and **Tier 2** at 2.5% resulting in a **total capital ratio** of 15.7%. These levels are above the requirements established by the regulator in its SREP letter and the systemic buffers applicable in 2018 for BBVA Group. Since January 1, 2018, the requirement has been established at 8.438% for the phased-in CET1 ratio and 11.938% for the total capital ratio. The change with respect to 2017 is due to the steady implementation of the capital conservation buffers and the capital buffer applicable to other systemically important banks. The regulatory requirement for 2018 in fully-loaded terms remained unchanged (CET1 of 9.25% and total ratio of 12.75%) compared with the previous year.

Finally, the Group's **leverage** ratio maintained a solid position, at 6.4% fully-loaded (6.5% phased-in), which is still the highest of its peer group.

Ratings

During the first half of the year 2018, Moody's, S&P and DBRS upgraded one notch BBVA's rating to A3, A- and A (high), respectively. During the second half of 2018, the three leading agencies Moody´s, S&P and Fitch reaffirmed the rating given to BBVA (A3, A- and A-, respectively), although both S&P and Fitch placed its perspective in negative due to the evolution of the economy in Turkey (both agencies) and Mexico (Fitch). At present, all agencies assign to BBVA a category "A" rating, which did not occur since mid-2012, thus recognizing the strength and robustness of BBVA's business model.

Ratings

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

[1] Additionally, Moody's assigns an A3 rating to BBVA's long-term deposits.

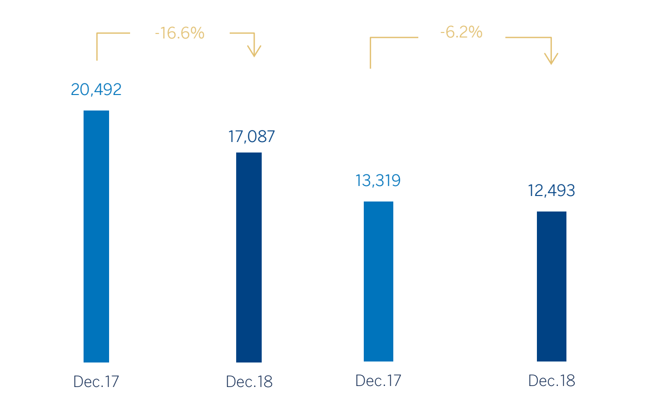
Risk management

Credit risk

BBVA Group's risk metrics continued to perform well along 2018:

- **Credit risk** decreased by 3.6% throughout 2018 or -0.4% isolating the impact of the sale of BBVA Chile (-1.8% and +1.3%, respectively, at constant exchange rates), mainly due to lower activity in Non Core Real Estate and contraction in Turkey and South America due to the exchange rates evolution. During the fourth quarter credit risk increased by +1.3% (+0.6% at constant exchange rates).
- The **balance of non-performing loans** decreased throughout 2018 by -16.6% (-11.1% in constant terms), highlighting the good performance of the Banking activity in Spain and Non Core Real Estate. Wholesale customers in Turkey and the United States deteriorated, having a negative impact in its balance of non-performing loans. In the last quarter of 2018 there was a decrease of 3.4% at current exchange rates (-0.5% at constant exchange rates).
- The **NPL ratio** stood at 3.9% as of December 31, 2018, a reduction of 19 basis points with respect to September 30, 2018 and of 61 basis points throughout the year.
- **Loan-loss provisions** decreased by 6.2% during the last 12 months (-0.3% at constant exchange rates) whereas the decrease over the quarter amounted to 3.1% (-2.5% at constant exchange rates).
- **NPL coverage ratio** closed at 73% with an improvement of 812 basis points over the year and 26 basis points in the last 3 months.
- The cumulative **cost of risk** through December 2018 was 1.01%, +13 basis points higher than the figure for 2017.

Non-performing loans and provisions (Millions of euros)



Credit risk (1) (Millions of euros)

	31-12-18	30-09-18	30-06-18 (2)	31-03-18 (2)	31-12-17 (2)
Credit risk	**433,799**	**428,318**	**451,587**	**442,446**	**450,045**
Non-performing loans	17,087	17,693	19,654	19,516	20,492
Provisions	12,493	12,890	13,954	14,180	13,319
NPL ratio (%)	**3.9**	**4.1**	**4.4**	**4.4**	**4.6**
NPL coverage ratio (%)	**73**	**73**	**71**	**73**	**65**

(1) Include gross loans and advances to customers plus guarantees given.

(2) Figures without considering the classification of non-current assets held for sale.

Non-performing loans evolution (Millions of euros)

	4Q 18 (1)	3Q18	2Q18 (2)	1Q18 (2)	4Q17 (2)
Beginning balance	**17,693**	**19,654**	**19,516**	**20,492**	**20,932**
Entries	3,005	2,168	2,596	2,065	3,757
Recoveries	(1,548)	(1,946)	(1,655)	(1,748)	(2,142)
Net variation	**1,456**	**222**	**942**	**317**	**1,616**
Write-offs	(1,681)	(1,606)	(863)	(913)	(1,980)
Exchange rate differences and other	(382)	(576)	59	(380)	(75)
Period-end balance	**17,087**	**17,693**	**19,654**	**19,516**	**20,492**
Memorandum item:					
Non-performing loans	16,348	17,045	18,627	18,569	19,753
Non-performing guarantees given	739	649	1,027	947	739

(1) Preliminary data.

(2) Figures without considering the classification of non-current assets held for sale.

Structural risks

Liquidity and funding

Management of **liquidity and funding** in BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing, always in compliance with current regulatory requirements.

Due to its subsidiary-based management model, BBVA Group is one of the few large European banks that follows the MPE resolution **strategy** ("Multiple Point of Entry"): the parent company sets the liquidity and risk policies, but the subsidiaries are self-sufficient and responsible for the managing their liquidity (taking deposits or accessing the market with their own rating), without funds transfer or financing occurring between either the parent company and the subsidiaries or between different subsidiaries. This principle limits the spread of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity and funding is correctly reflected in the price formation process.

The financial soundness of the Group's banks continues to be based on the funding of lending activity, fundamentally through the use of stable customer funds. During 2018, **liquidity** conditions remained comfortable across BBVA Group's global footprint:

- In the Eurozone, the liquidity situation is still comfortable, reducing the credit gap and growth in customer deposits.
- In the United States, the liquidity situation is adequate. The credit gap increased during the year due to the dynamism of consumer and commercial credit as well as to the cost-containment strategy for deposits, in an environment of competition in prices and rising rates.
- In Mexico, the liquidity position is sound as the environment has improved after the electoral process and the new commercial agreement with the United States. The credit gap has widened year-to-date due to deposits growing less than lending.
- The liquidity situation in Turkey is stable, showing a reduction in the credit gap as a result of deposits growing faster than lending.
- In South America, the liquidity situation remains comfortable in all geographies. In Argentina, despite the volatility of the markets which has been reducing at the end of the year, the liquidity situation is adequate.

The wholesale **funding** markets in the geographic areas where the Group operates continued to be stable, with the exception of Turkey where the volatility increased during the third quarter, having stabilized in the fourth quarter with the renewal of the maturities of syndicated loans of different entities.

The main **operations** carried out by the entities that form part of the BBVA Group during 2018 were:

- BBVA, S.A. completed three operations: an issuance of senior non-preferred debt for €1.5 billion, with a floating coupon at 3-month Euribor plus 60 basis points and a maturity of five years. It also carried out the largest issuance made by a financial institution in the Eurozone of the so-called "green bonds" (€1 billion). It was a 7-year senior non-preferred debt issuance, which made BBVA the first Spanish bank to carry out this type of issuance. The high demand allowed the price to be lowered to mid-swap plus 80 basis points. Finally, BBVA carried out an issuance of preferred securities contingently convertible into newly issued ordinary shares of BBVA (CoCos). This transaction was, for the first time, available to Spanish institutional investors and it was registered with the CNMV for an amount of €1 billion, an annual coupon of 5.875% for the first five years and amortization option from the fifth year. Additionally, it closed a private issuance of Tier 2 subordinated debt for US$300m, with a maturity of 15 years, with a coupon of 5.25%.
- In the United States, BBVA Compass issued in June a senior debt bond for US$1.15 billion in two tranches, both at three years: US$700m at a fixed rate with a reoffer yield of 3.605%, and US$450m at a floating rate of 3-month Libor plus 73 basis points.
- In Mexico, BBVA Bancomer completed an international issuance of subordinated Tier 2 debt of US$1 billion. The instrument was issued at a price equivalent to Treasury bonds plus 265 basis points at a maturity of 15 years, with a ten-year call (BBVA Bancomer 15NC10). In addition, two new Banking Securities Certificates were issued for 7 billion Mexican pesos in two tranches, one of them being the first green bond issued by a private bank in Mexico (3.5 billion Mexican pesos at three years at TIIE28 + 10 basis points).
- In Turkey, Garanti issued the first private bond in emerging markets for US$75m over six years, to support women's entrepreneurship, and renewed the financing of two syndicated loans.
- On the other hand, in South America, in Chile, Forum issued senior debt on the local market for an amount equivalent to €108m and BBVA Peru issued a three-year senior debt in the local market for an aggregate amount of €53m.

As of December 31, 2018, the liquidity coverage ratio (**LCR**) in BBVA Group remained comfortably above 100% in the period and stood at 127%. For the calculation of the ratio it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no kind of excess liquidity levels in the subsidiaries abroad are considered in the calculation of the consolidated ratio. When considering this excess liquidity levels, the ratio would stand at 154% (27 percentage points above 127%). All the subsidiaries remained comfortably above 100% (Eurozone, 145%; Mexico, 154%; Turkey, 209%; and the United States, 143%).

Foreign exchange

Foreign-exchange risk management of BBVA's long-term investments, basically stemming from its franchises abroad, aims to preserve the Group's capital adequacy ratios and ensure the stability of its income statement.

The year **2018** was notable for the depreciation against the euro of the Turkish lira (down 25.0%) and the Argentine peso (down 47.8%), while the Mexican peso (+5.2%) and the U.S. Dollar (+4.7%) appreciated. BBVA has maintained its policy of actively hedging its main investments in emerging countries, covering on average between 30% and 50% of the earnings for the year and around 70% of the excess of CET1 capital ratio. In accordance with this policy, the sensitivity of the CET1 ratio to a depreciation of 10% of the main emerging currencies (Mexican peso or Turkish lira) against the euro remains at around a negative two basis points for each of these currencies. In the case of the dollar, the sensitivity is approximately a positive eleven basis points to a depreciation of 10% of the dollar against the euro, as a result of RWAs denominated in U.S. Dollar outside the United States. The coverage level of the expected earnings for 2019, at the closing of January, 2019 is, 85% for Mexico and 30% for Turkey.

Interest rates

The aim of managing **interest-rate risk** is to maintain a sustained growth of net interest income in the short and medium-term, irrespective of interest-rate fluctuations, while controlling the impact on capital through the valuation of the portfolio of financial assets at fair value with changes reflected in other accumulated comprehensive income.

The Group's banks have fixed-income portfolios to manage their balance-sheet structure. During 2018, the results of this management were satisfactory, with limited risk strategies in all the Group's banks. Their capacity of resilience to market events has allowed them to face the cases of Italy and Turkey.

After the formation of the new government in Italy, the reaction of the market to the budget negotiation process has contributed to the sustained pressure on the Italian debt, however without significant impact on the capital ratio.

In Turkey, an excessive economic growth have given rise to inflationary tensions that, together with the level of current account deficits, have weakened the Turkish Lira. In this context, the Central Bank of Turkey (CBRT) has raised rates to contain the depreciation of the currency. Risk management and bond portfolio with a high component of inflation-linked bonds have stabilized the net interest income and limited impact on the capital ratio.

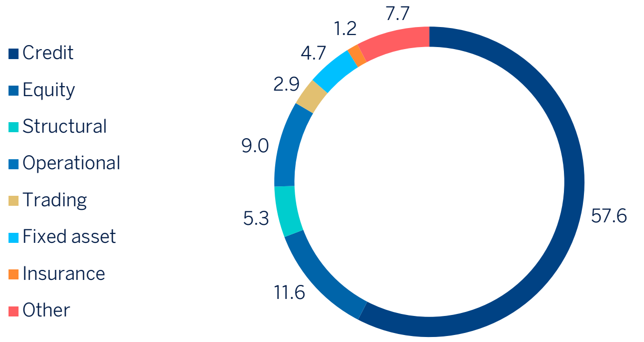
Finally, it is worth noting the following **monetary policies** pursued by the different central banks in the main geographical areas where BBVA operates:

- No relevant changes in the Eurozone, where interest rates remain at 0% and the deposit facility rate at -0.40%.
- In the United States the upward trend in interest rates continues. The increases of 25 basis points each in March, June, September and December, left the rate at 2.50%.
- In Mexico, after making two increases in the first half of the year, Banxico raised them again twice in the fourth quarter from 7.75% to 8.25%.
- In Turkey, after the increases in the first three quarters of the year, the central bank maintained the average interest rate at 24.00% in the fourth quarter.
- In South America, the monetary authorities of Colombia and Peru have maintained their reference rates flat throughout the quarter, considering in its decision the behavior of inflation next to the established goals, as well as the dynamics of domestic demand. In Argentina, the adopted measures at the beginning of the quarter in terms of monetary policy (increase in reserve requirements and the reference rate) in order not to increase the monetary base and curb inflation which have delivered their results, with a certain deceleration in inflation.

Economic capital

Consumption of **economic risk capital** (ERC) at the close of December 2018, in consolidated terms, was €31,177m, equivalent to a decline of 0.8% compared to September 2018. Variation within exact time period and at constant exchange rates was down 2.1%, which is mainly explained by structural risk associated with the transfer of the real estate assets of BBVA in Spain to Cerberus Capital Management, L.P. (Cerberus). There were also less relevant decreases in credit risk and equity (goodwill).

Consolidated economic risk capital breakdown
(Percentage as of December 2018)



The BBVA share

Global economic growth maintained a robust growth of approximately 3.6% in 2018, although slowed more than expected during the second half of 2018, due to both the poorer performance seen by retailers and the industrial sector along with a strong increase in financial tensions, especially in the developed economies, as a result of higher uncertainty. Poorer economic figures in Europe and China was accompanied by downwards trends in Asian countries and a cyclical deterioration in the United States. In this context, both the Federal Reserve (Fed) and the ECB have been more cautious and patient in the path towards monetary policy normalization and their decisions going forward will depend on the performance of the economy. The main short-term risk continues to be protectionism, not only because of the direct impact of the commercial channel, but also because its indirect effect on confidence and on financial volatility. Additionally, there are concerns about the intensity of the adjustment on economic activity during the following quarters, both in the United States and in China.

Most **stock-market indices** showed a downward trend during 2018. In Europe, the Stoxx 50 and the Euro Stoxx 50 fell by 13.1% and 14.3%, respectively. On the other hand, in Spain, the Ibex 35 lost 15.0% over the same period. Finally, in the United States the S&P 500 index fell 6.2% in the last twelve months, mainly due to the decline in the last quarter (down 14.0%).

In particular, the **banking sector** indices were notably more negative during 2018 than these general indices. The European Stoxx Banks index, which includes British banks, lost 28.0%, and the Eurozone bank index, the Euro Stoxx Banks, was down 33.3%, while in the United States the S&P Regional Banks index declined 20.5% in comparison at the close of 2017.

The **BBVA share** closed 2018 at €4.64, a fall of 34.8% for this year.

BBVA share evolution compared with European indices
(Base indice 100=31-12-17)

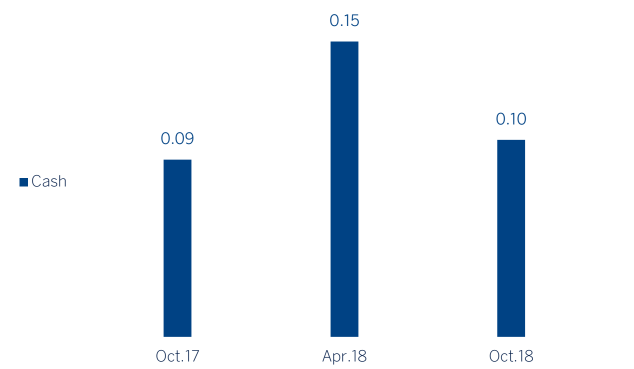
The BBVA share and share performance ratios

	31-12-18	31-12-17
Number of shareholders	902,708	891,453
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	35,909,997	35,820,623
Daily average trading (million euros)	213	252
Maximum price (euros)	7.73	7.93
Minimum price (euros)	4.48	5.92
Closing price (euros)	4.64	7.11
Book value per share (euros)	7.12	6.96
Tangible book value per share (euros)	5.86	5.69
Market capitalization (million euros)	30,909	47,422
Yield (dividend/price; %) (1)	5.4	4.2

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

Regarding **shareholder remuneration**, on October 10, BBVA paid in cash a gross amount of €0.10 per share on account of the 2018 fiscal year. This payment is consistent with the shareholder remuneration policy announced by Relevant Event of February 1, 2017, that envisages, subject to the pertinent approvals by the corresponding corporate bodies, the payment of two dividends in cash, foreseeably on October and April of each year. It is expected to be proposed for the consideration of the competent governing bodies a cash payment in a gross amount of euro 0.16 per share to be paid in April 2019 as final dividend for 2018.

Shareholder remuneration
(Gross euros/share)



As of December 31, 2018, the number of BBVA **shares** remained at 6,668 million, and the number of **shareholders** was 902,708. By type of investor, residents in Spain held 44.82% of the share capital, while the remaining 55.18% was owned by non-resident shareholders.

Shareholder structure (31-12-2018)

Number of shares	Shareholders Number	Shareholders %	Shares Number	Shares %
Up to 150	179,213	19.9	12,701,058	0.2
151 to 450	179,572	19.9	49,210,098	0.7
451 to 1800	284,225	31.5	278,003,301	4.2
1,801 to 4,500	136,369	15.1	388,215,619	5.8
4,501 to 9,000	63,647	7.1	401,194,972	6.0
9,001 to 45,000	53,104	5.9	921,740,895	13.8
More than 45,001	6,578	0.7	4,616,820,637	69.2
Total	**902,708**	**100.0**	**6,667,886,580**	**100.0**

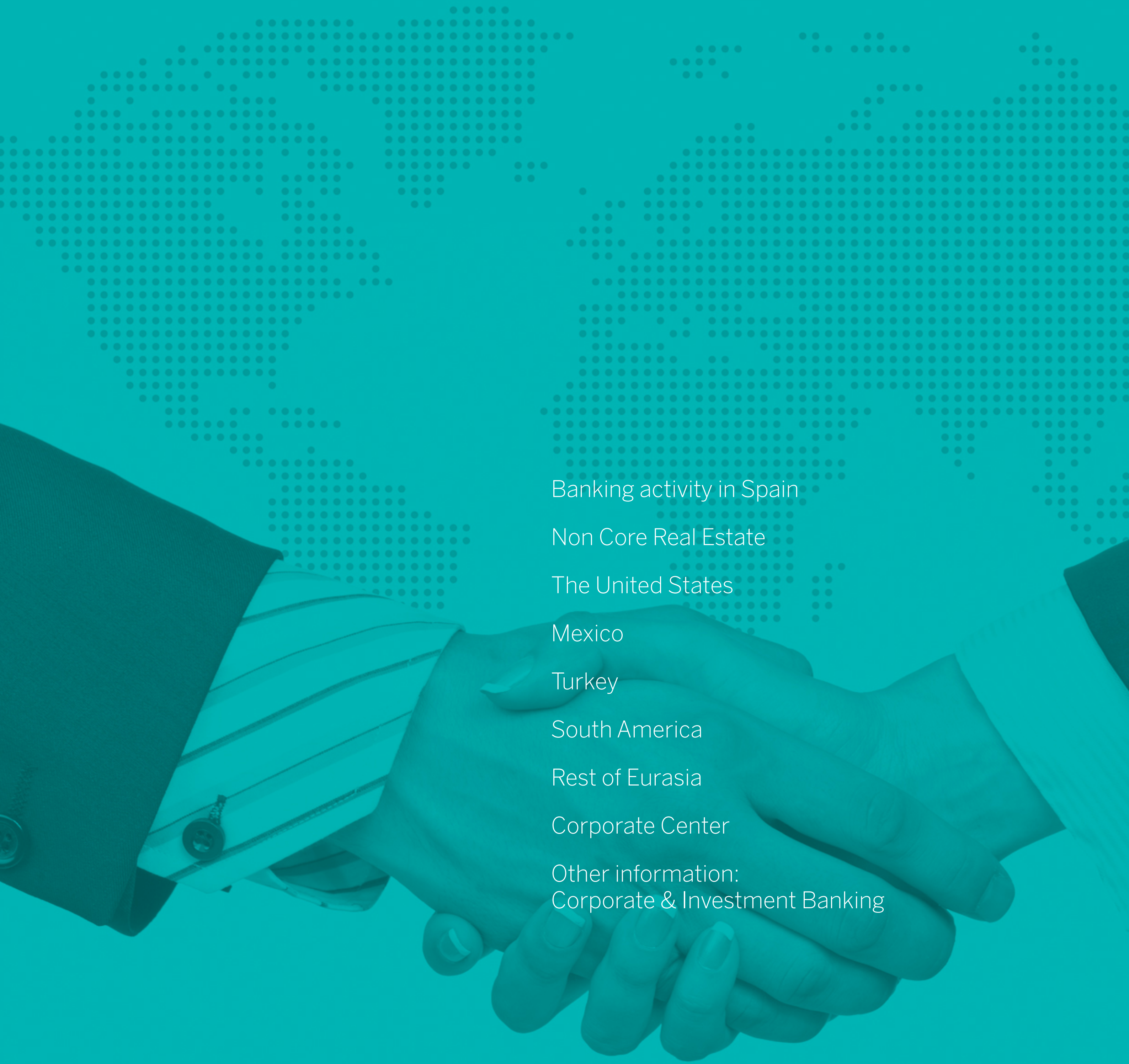
BBVA **shares** are included on the main stock-market indices, including the Ibex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 7.0%, 1.4% and 0.9% respectively. They also form part of several sector indices, including the Euro Stoxx Banks, with a weighting of 8.3%, and the Stoxx Banks, with a weighting of 3.8%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indices** or ESG (environmental, social and governance) indices, which evaluate the performance of companies in this area. In September 2018, BBVA joined the Dow Jones Sustainability Index (DJSI), benchmark in the market, which measures the performance of nearly 3,400 listed companies in environmental, social and corporate governance matters. Among the aspects most valued in BBVA's analysis are the fiscal strategy, the information security and cybersecurity policies, the management of environmental risks and opportunities, financial inclusion and, above all, Pledge 2025 announced this year.

Main sustainability indices on which BBVA is listed as of 31-12-2018

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM	Listed on the DJSI World and DJSI Europe indices
MSCI [1]	Listed on the MSCI ESG Leaders Indexes AAA Rating
FTSE4Good	Listed on the FTSE4Good Global Index Series
EURONEXT vigeoeiris INDICES	Listed on the Euronext Vigeo Eurozone 120 and Europe 120 indices
ETHIBEL	Listed on the Ethibel Sustainability Excellence Europe and Eithebel Sustainability Excellence Global indices
CDP DRIVING SUSTAINABLE ECONOMIES	In 2018, BBVA obtained a "B" rating

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



Business Areas

Banking activity in Spain

Non Core Real Estate

The United States

Mexico

Turkey

South America

Rest of Eurasia

Corporate Center

Other information:
Corporate & Investment Banking

Business areas

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

At the closing of 2018 the **reporting structure** of BBVA Group's business areas remained basically the same even if its composition differs from the one presented in 2017 due to the sale of BBVA Chile announced on November 28, 2017, and which was closed on July 6, 2018. This operation, which has affected the composition of the business area of South America, will be detailed in the following sections as well as the rest of the Group's business areas:

- **Banking activity in Spain** includes the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the new loan production to developers or loans that are no longer in difficulties as well as the portfolios, funding and structural interest-rate positions of the euro balance sheet.

- **Non Core Real Estate** covers the specialized management in Spain of loans to developers in difficulties and real-estate assets mainly coming from foreclosed assets, originated from both, residential mortgages, as well as loans to developers. On November 29, 2017, BBVA Group signed an agreement with Cerberus Capital Management, L.P. (Cerberus) for the creation of a joint venture in which the real-estate business area of BBVA in Spain would be transferred. At a later stage, 80% of this entity would be sold to a subsidiary of Cerberus (Divarian). On October 10, 2018, the stated operation was closed and, at the close of 2018, the participation in Divarian which BBVA maintains at 20%, is recorded in the Corporate Center.

- **The United States** includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.

- **Mexico** basically includes all the banking and insurance businesses carried out by the Group in the country. Since 2018 it has also included the BBVA Bancomer branch in Houston (in previous years located in the United States). Consequently, the figures from previous years have been reworked to incorporate this change and show comparable series.

- **Turkey** includes the activity of the Garanti group.

- **South America** basically includes BBVA's banking and insurance businesses in the region. On July 6, 2018, the sale of BBVA Chile to The Bank of Nova Scotia (Scotiabank) was completed which affects the comparability of the results, the balance sheet, the activity and the most significant ratios of this business area with prior periods.

- **The rest of Eurasia** includes the Group's retail and wholesale business activity in the rest of Europe and Asia.

In addition to the above, all the areas include a remainder made up basically of other businesses and a supplement that includes deletions and allocations not assigned to the units making up the above areas.

Lastly, the **Corporate Center** is an aggregate that contains the rest of the items that have not been allocated to the business areas, as it corresponds to the Group's holding function. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. At the close of 2018, the participation in Davarian, which BBVA maintains at 20%, is included in this unit.

In addition to this geographical breakdown, supplementary information is provided for all the **wholesale businesses** carried out by BBVA, i.e. Corporate & Investment Banking (CIB), in the geographical areas where it operates. This aggregate business is considered relevant to better understand the Group because of the characteristics of the customers served, the type of products offered and the risks assumed.

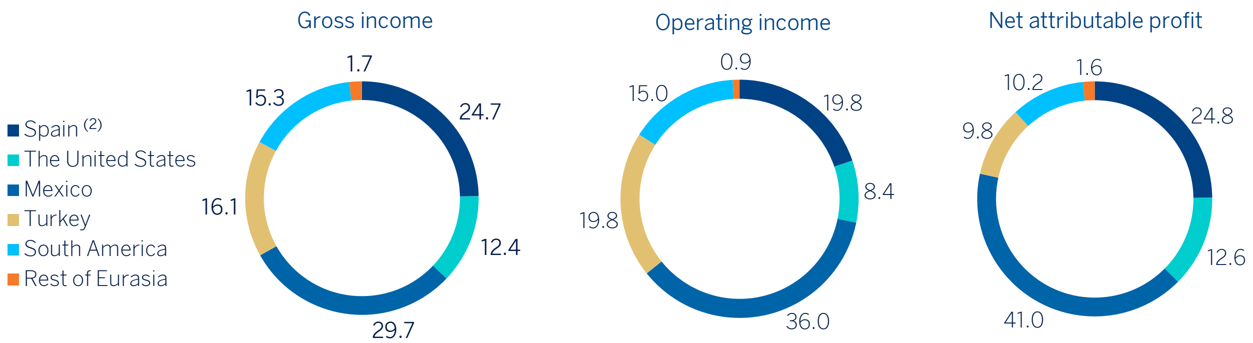
Finally, as usual, in the case of the Americas, Turkey and CIB areas, the results of applying constant **exchange rates** are given in addition to the year-on-year variations at current exchange rates.

The **information by areas** is based on units at the lowest level and/or companies making up the Group, which are assigned to the different areas according to the main geographical area in which they carry out their activity.

Major income statement items by business area (Millions of euros)

	BBVA Group	Business areas: Banking activity in Spain	Non Core Real Estate	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center
2018										
Net interest income	17,591	3,672	32	2,276	5,568	3,135	3,009	175	17,867	(276)
Gross income	23,747	5,943	38	2,989	7,193	3,901	3,701	415	24,179	(432)
Operating income	12,045	2,680	(28)	1,127	4,825	2,658	2,011	124	13,397	(1,352)
Profit/(loss) before tax	7,580	2,017	(129)	919	3,294	1,448	1,307	144	9,000	(1,420)
Net attributable profit	5,324	1,522	(78)	735	2,384	569	591	93	5,818	(494)
2017										
Net interest income	17,758	3,738	71	2,119	5,476	3,331	3,200	180	18,115	(357)
Gross income	25,270	6,180	(17)	2,876	7,122	4,115	4,451	468	25,196	73
Operating income	12,770	2,790	(116)	1,025	4,671	2,612	2,444	160	13,585	(815)
Profit/(loss) before tax	6,931	1,854	(656)	748	2,984	2,147	1,691	177	8,944	(2,013)
Net attributable profit	3,519	1,374	(490)	486	2,187	826	861	125	5,368	(1,848)

Gross income [(1)], operating income [(1)] and net attributable profit [(1)] breakdown (Percentage. 2018)



(1) Excludes the Corporate Center.
(2) Includes the areas Banking activity in Spain and Non Core Real Estate.

Major balance sheet items and risk-weighted assets by business area (Millions of euros)

	BBVA Group	Business areas: Banking activity in Spain	Non Core Real Estate	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center	NCA&L variation [(1)]
31-12-18											
Loans and advances to customers	374,027	169,856	582	60,808	51,101	41,478	34,469	15,731	374,027	-	-
Deposits from customers	375,970	180,891	36	63,891	50,530	39,905	35,842	4,876	375,970	-	-
Off-balance sheet funds	98,150	62,557	2	-	20,647	2,894	11,662	388	98,150	-	-
Total assets/liabilities and equity	676,689	335,294	4,163	82,057	96,455	66,250	52,385	18,000	654,605	22,084	-
Risk-weighted assets	348,254	100,950	3,022	64,146	53,359	56,486	42,736	15,449	336,149	12,105	-
31-12-17											
Loans and advances to customers	387,621	183,172	3,521	53,718	45,768	51,378	48,272	14,864	400,693	-	(13,072)
Deposits from customers	376,379	177,763	13	60,806	49,964	44,691	45,666	6,700	385,604	-	(9,225)
Off-balance sheet funds	98,005	62,054	4	-	19,472	3,902	12,197	376	98,005	-	-
Total assets/liabilities and equity	690,059	319,417	9,714	75,775	94,061	78,694	74,636	17,265	669,562	20,497	-
Risk-weighted assets	361,686	108,141	9,692	58,688	44,941	62,768	55,975	15,150	355,354	6,332	-

(1) Non-current assets and liabilities held for sale (NCA&L) from the BBVA Chile and real estate operations.

Interest rates (Quarterly averages. Percentage)

	2018				2017			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Euribor 3 months	(0.32)	(0.32)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)
Euribor 1 year	(0.14)	(0.17)	(0.19)	(0.19)	(0.19)	(0.16)	(0.13)	(0.10)
USA Federal rates	2.28	2.01	1.81	1.58	1.30	1.25	1.05	0.80
TIIE (Mexico)	8.26	8.11	7.88	7.84	7.42	7.37	7.04	6.41
CBRT (Turkey)	24.00	19.29	14.82	12.75	12.17	11.97	11.80	10.10

Exchange rates (Expressed in currency/euro)

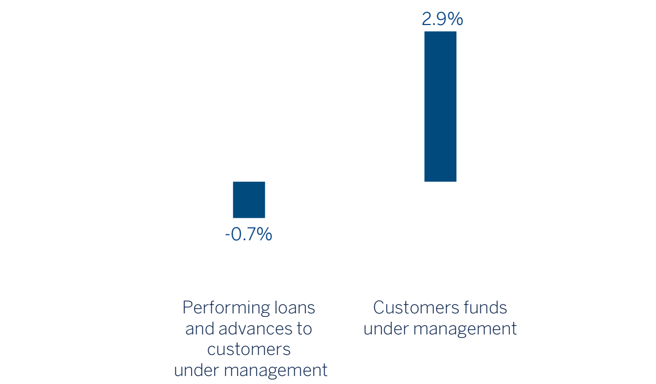
	Year-end exchange rates			Average exchange rates	
	31-12-18	Δ% on 31-12-17	Δ% on 30-09-18	2018	Δ% on 2017
Mexican peso	22.4921	5.2	(3.2)	22.7046	(6.1)
U.S. dollar	1.1450	4.7	1.1	1.1810	(4.3)
Argentine peso	43.2900	(47.8)	5.7	43.2900	(56.7)
Chilean peso	795.54	(7.2)	(3.8)	757.00	(3.2)
Colombian peso	3,745.32	(4.3)	(7.6)	3,484.32	(4.3)
Peruvian sol	3.8621	0.5	(1.2)	3.8787	(5.1)
Turkish lira	6.0588	(25.0)	15.0	5.7058	(27.8)

Banking activity in Spain

Highlights

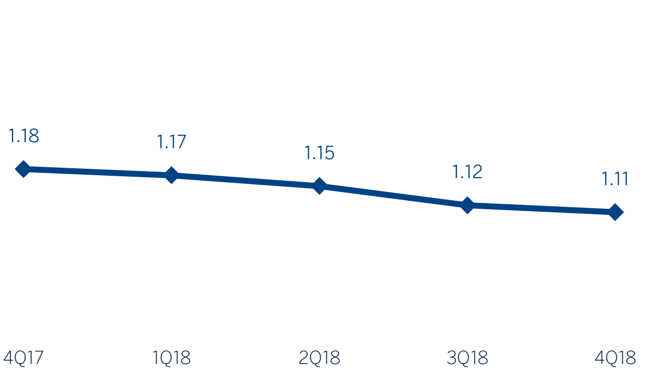
- Activity growth in high profitable segments.
- Good performance of net fees and commissions.
- Significant cost reduction.
- Solid asset-quality indicators: lower impairments and provisions.

Business activity [1]
(Year-on-year change. Data as of 31-12-18)

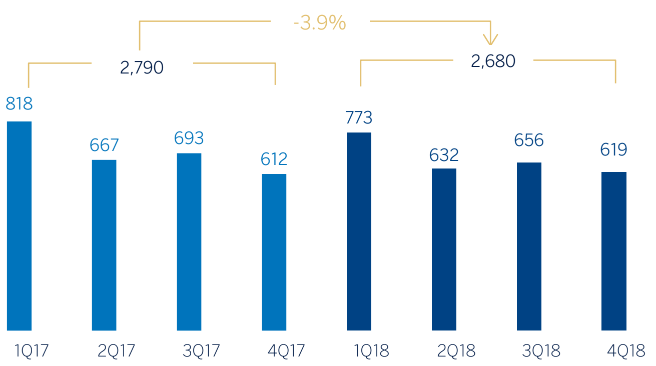


[1] Excluding repos.

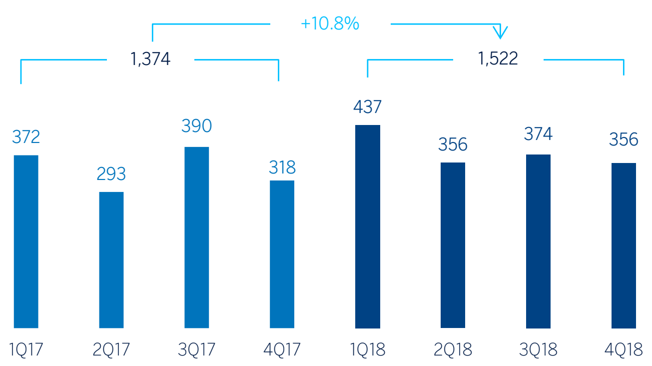
Net interest income/ATAs
(Percentage)



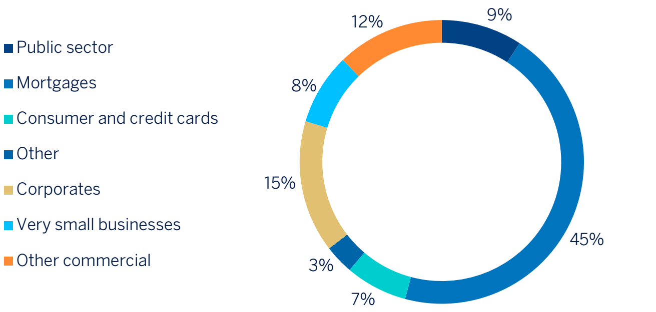
Operating income
(Millions of euros)



Net attributable profit
(Millions of euros)

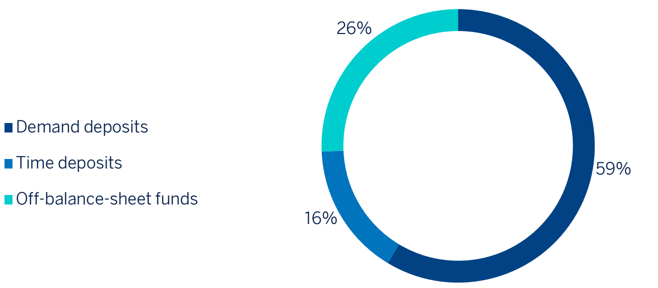


Breakdown of performing loans under management [1]
(31-12-18)



[1] Excluding repos.

Breakdown of customer funds under management [1]
(31-12-18)



[1] Excluding repos.

Macro and industry trends

According to the latest information from the National Institute of Statistics (INE for its acronym in Spanish), the Spanish **economy** grew 0.6% on a quarterly basis during the the third quarter of 2018, consolidating a solid growth throughout the year but at a more moderate pace than the two previous years. The most recent indicators show that this progress of the GDP has continued in the last quarter of 2018, supported by robust domestic factors related to the improvement of the labor market and favorable financial conditions. Both monetary and fiscal policy continue to support growth, while the depreciation of the euro and demand in the euro zone must continue to support exports. All in all, the economy could have grown around 2.5% in 2018.

Regarding the Spanish **banking system** and according to October 2018 data from the Bank of Spain (latest published data), the total volume of lending to the private sector (household and corporate) continued to decline year-on-year (down 3.0%). Non-performing loans in the sector decreased significantly (down 28.2% year-on-year as of October 2018) driven by the completion of several transactions of non-performing loans and real-estate assets during 2018. At the end of October, the sector's NPL ratio was 6.08%, that is 26.0% below the figure registered in the previous year.

Activity

The most relevant aspects related to the area's activity during 2018 were:

- **Lending** (performing loans under management) closed in line with the figure at the end of December 2017 (down 0.7% year-on-year), mainly due to the reduction in the mortgage portfolio (down 3.6%) and other commercial portfolios (-11.2%). In contrast, consumer financing and credit cards maintained a very positive performance (during the course of the year up 21.9%), which, together with the good evolution of the SME portfolio (+6.5%), offset the reduction of mortgage loans. In the last three months of 2018 there has been a transfer of outstanding portfolio of performing loans from Non Core Real Estate to Banking Activity in Spain, amounting to €60m, which, in addition to the e one completed in the first semester amounts to a total of €260m in the year.

- In **asset quality**, the non-performing loans balance showed a downward trend over the year that positively affected the area's NPL ratio, which reduced to 4.6% from the 5.5% as of 31-December-2017. The NPL coverage ratio closed at 57%, 660 basis points above the closing of 2017.

Financial statements and relevant business indicators
(Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ%	IAS 39 2017
Net interest income	**3,672**	**(1.8)**	**3,738**
Net fees and commissions	1,681	7.7	1,561
Net trading income	466	(16.1)	555
Other operating income and expenses	124	(62.0)	327
of which insurance activities [(1)]	485	12.0	433
Gross income	**5,943**	**(3.8)**	**6,180**
Operating expenses	(3,262)	(3.8)	(3,390)
Personnel expenses	(1,862)	(2.9)	(1,917)
Other administrative expenses	(1,113)	(3.6)	(1,154)
Depreciation	(288)	(9.8)	(319)
Operating income	**2,680**	**(3.9)**	**2,790**
Impairment on financial assets not measured at fair value through profit or loss	(371)	(34.6)	(567)
Provisions or reversal of provisions and other results	(292)	(20.9)	(369)
Profit/(loss) before tax	**2,017**	**8.8**	**1,854**
Income tax	(492)	3.1	(477)
Profit/(loss) for the year	**1,525**	**10.8**	**1,377**
Non-controlling interests	(3)	7.1	(3)
Net attributable profit	**1,522**	**10.8**	**1,374**

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

Balance sheets	IFRS 9 31-12-18	Δ%	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	27,841	106.8	13,463
Financial assets designated at fair value	100,094	25.9	79,501
of which loans and advances	28,451	n.s.	1,312
Financial assets at amortized cost	193,936	(12.4)	221,391
of which loans and advances to customers	169,856	(7.3)	183,172
Inter-area positions	7,314	n.s.	1,806
Tangible assets	1,263	44.1	877
Other assets	4,846	103.6	2,380
Total assets/liabilities and equity	**335,294**	**5.0**	**319,417**
Financial liabilities held for trading and designated at fair value through profit or loss	66,255	80.0	36,817
Deposits from central banks and credit institutions	44,043	(29.2)	62,226
Deposits from customers	180,891	1.8	177,763
Debt certificates	30,451	(8.6)	33,301
Inter-area positions	-	-	-
Other liabilities	5,756	n.s.	391
Economic capital allocated	7,898	(11.5)	8,920

Relevant business indicators	31-12-18	Δ%	31-12-17
Performing loans and advances to customers under management [(1)]	166,131	(0.7)	167,291
Non-performing loans	9,101	(16.0)	10,833
Customer deposits under management [(1)]	181,119	3.6	174,822
Off-balance sheet funds [(2)]	62,557	0.8	62,054
Risk-weighted assets	100,950	(6.6)	108,141
Efficiency ratio (%)	54.9		54.9
NPL ratio (%)	4.6		5.5
NPL coverage ratio (%)	57		50
Cost of risk (%)	0.21		0.32

(1) Excluding repos.

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

- Customer **deposits** under management grew by 3.6% compared to the close of December 2017 (up 3.5% in the last quarter of 2018). By products, there was a decline in time deposits (down 20.4% year-on-date), that has by far offset by the increase in demand deposits (up 12.7%), which as of December represent approximately 80% of total liabilities.

- The **off-balance-sheet** funds showed a slight increase with respect to the figure registered twelve months before (+0.8%), despite of the unfavorable evolution of the markets, especially in the last quarter.

Results

The net attributable **profit** generated by the Banking Activity in Spain in 2018 reached €1,522m, which represents a year-on-year increase of 10.8%, strongly supported by the favorable performance of commissions, a strict control of operating expenses and provisions. The highlights of the area's income statement are:

- **Net interest income showed** a decline of 1.8% year-on-year although it increased slightly in the fourth quarter of 2018 (+1.2%). The smaller contribution from targeted longer-term refinancing operations (TLTRO) explained most of this evolution.

- Positive performance of **net fees and commissions** (up 7.7% year-on-year), which offset by far the decline in net interest income. There was a significant contribution from asset management fees and banking commissions.

- Lower contribution from **NTI** compared to the same period of previous year (down 16.1%), associated with lower ALCO portfolio sales in 2018.

- Reduction in **other income/expenses** (down 62.0% year-on-year). One of the aspects explaining this is the greater contribution made to the DGF and SRF compared to 2017. Also, net earnings from the insurance business showed an increase of 12.0%.

- **Operating expenses** declined by 3.8% and the **efficiency ratio** closed at 54.9%, in line with the figure registered at the close of 2017.

- Decline in **impairment losses on financial assets** (down 34.6% year-on-year) explained by lower gross additions to NPLs and loan-loss provisions for large customers. As a result, the cumulative cost of risk stood at 0.21% as of December 31, 2018.

- Lastly, **provisions (net) and other gains (losses)** showed a year-on-year decline of 20.9%, mainly favoured by lower restructuring costs.

Non Core Real Estate

Highlights

- **Continued positive trend in the Spanish real-estate market, although with a more moderate growth rate.**
- **Significant reduction in the net losses in the area.**
- **Successful reduction of the net real-estate exposure to minimum levels.**

Industry trends

The Spanish real estate market continues to show a growth trend, somewhat more moderated. The macroeconomic context continues to be favorable for residential demand: interest rates remain at minimum levels and the economy is still generating jobs. However, the uncertainty regarding economic policy could affect the decision of households and entrepreneurs of the sector.

- **Investment in housing** accelerated its growth in the third quarter of 2018, after the slowdown registered in the previous quarter. According to data from the National Quarterly Accounting Office of the INE investment in housing grew by 1.6% between July and September, an evolution that, once again, exceeded the economy as a whole.

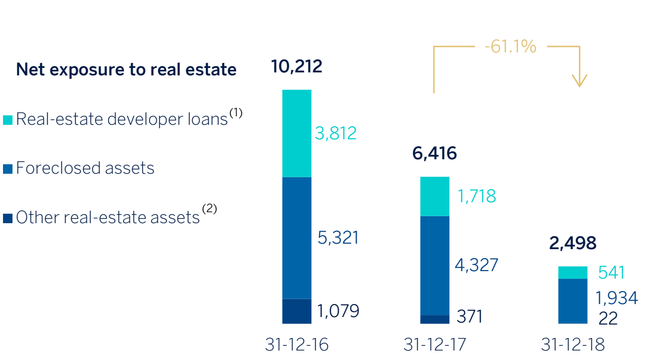
- Between January and November, 526,840 homes were sold in Spain, a year-on-year increase of 8.5%, according to information from the General Council of Spanish Notaries (CIEN).

- Housing **prices** accelerated in the third quarter of 2018 to 7.2% in year-on-year terms (INE figures), exceeding the figures registered in the two previous quarters.

- The interest rate applied to new loan operations remains at 2.3% and the **cost of mortgage financing** remains at relatively low levels. As a result, new home loans grew by 17.1% in the first eleven months of the year.

- Finally, the evolution of the **construction activity** continued to be robust, in response to the increase in residential demand. According to data from the Ministry of Public Works, nearly 84,000 new housing construction permits were approved in the first ten months of the year 2018, 23.2% more than in the same period of 2017.

Evolution of net exposure to real estate (Millions of euros)



Coverage of real-estate exposure (Millions of euros as of 31-12-18)

	Gross Value	Provisions	Net exposure	% Coverage
Real-estate developer loans (1)	**1,006**	**465**	**541**	**46%**
Performing	**174**	**23**	**150**	**13%**
Finished properties	145	18	127	13%
Construction in progress	14	3	11	23%
Land	14	1	13	8%
Without collateral and other	1	-	-	46%
NPL	**832**	**442**	**390**	**53%**
Finished properties	361	160	201	44%
Construction in progress	23	11	13	45%
Land	392	237	156	60%
Without collateral and other	55	35	21	62%
Foreclosed assets	**4,310**	**2,376**	**1,934**	**55%**
Finished properties	3,037	1,501	1,536	49%
Construction in progress	209	131	78	63%
Land	1,064	744	320	70%
Other real-estate assets (2)	**25**	**3**	**22**	**11%**
Real-estate exposure	**5,341**	**2,843**	**2,498**	**53%**

(1) Compared to Bank of Spain's Transparency scope (Circular 5/2011 dated November 30), real-estate developer loans do not include €2.1Bn (December 2018) mainly related performing loans to developers transferred to the Banking Activity in Spain area.
(2) Other real-estate assets not originated from foreclosures.

Activity

The net real-estate **exposure** amounted to €2,498m as of 31-December-2018, which means a very significant reduction in year-on-year terms (-61.1%).

With regards to the loans to developers, in the last three months of 2018 outstanding performing loans to developers for an amount of €60m were transferred from Non Core Real Estate to Banking Activity in Spain, that together with the transfer already made during the first half of 2018 stood at €260m in the year. In addition, the agreement with the Canada Pension Plan Investment Board (CPPIB) for the sale of non-performing and written-off loans to developers for a gross amount of approximately €1 billion was closed in July.

Having received the regulatory authorizations, BBVA closed on October 10, 2018 the operation of the transfer of its real-estate business in Spain to Cerberus Capital Management, L.P. (Cerberus). The closing of this operation implies the sale of 80% of the share capital of Divarian, the joint venture to which the real-estate business had been transferred, however the effective transfer of some real estate owned assets ("REOs") is subject to the fulfillment of certain conditions and in the meanwhile, BBVA will continue to manage those assets. As of December 31, 43,900 assets with a value 2,828 million euros would have been transferred to Divarian. 17,485 assets with a value of approximately €900m are pending transfer, subject to specific authorizations in process of obtaining them.

As of December 31, 2018 the participation in Divarian which BBVA maintains at 20%, is recorded in Corporate Center.

In addition, on December 21, 2018 BBVA reached an agreement with Blackstone for the sale of its participation of its 25.24% stake in Testa for €478m.

Total real-estate exposure, including loans to developers, foreclosures and other assets, had a **coverage** ratio of 53% at the close of December 2018. The coverage ratio of foreclosed assets stood at 55%.

Non-performing loan balances showed a downward trend along the year, thanks to lower NPL entries and the recovery of activity over the quarter. The NPL coverage ratio was maintained at 53%.

Results

At the close of December 2018 this business area posted a cumulative **loss** in 2018 of €78m, which represents a positive evolution compared to a loss of €490m in the same period the previous year.

Financial statements (Millions of euros)

Income statement	IFRS 9 2018	Δ%	IAS 39 2017
Net interest income	**32**	**(55.8)**	**71**
Net fees and commissions	1	(56.7)	3
Net trading income	64	n.s.	0
Other operating income and expenses	(59)	(35.7)	(91)
Gross income	**38**	**n.s.**	**(17)**
Operating expenses	(65)	(33.9)	(99)
Personnel expenses	(39)	(23.3)	(51)
Other administrative expenses	(22)	(28.1)	(30)
Depreciation	(5)	(73.3)	(18)
Operating income	**(28)**	**(76.1)**	**(116)**
Impairment on financial assets not measured at fair value through profit or loss	(12)	(91.0)	(138)
Provisions or reversal of provisions and other results	(89)	(77.8)	(403)
Profit/(loss) before tax	**(129)**	**(80.3)**	**(656)**
Income tax	52	(68.8)	166
Profit/(loss) for the year	**(78)**	**(84.2)**	**(491)**
Non-controlling interests	(0)	n.s.	1
Net attributable profit	**(78)**	**(84.2)**	**(490)**

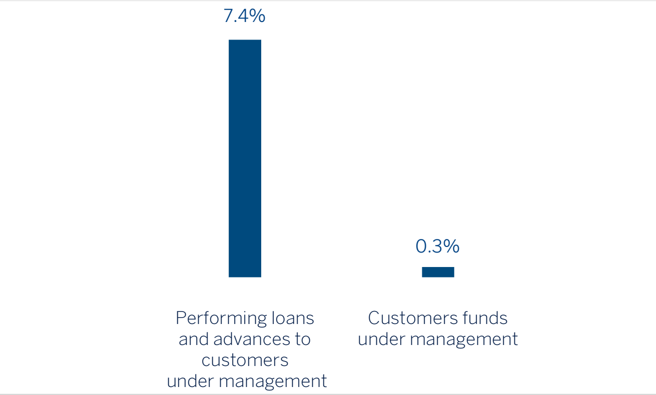
Balance sheets	IFRS 9 31-12-18	Δ%	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	14	19.8	12
Financial assets designated at fair value	1,358	n.s.	9
of which loans and advances	1,368	n.s.	-
Financial assets at amortized cost	582	(83.5)	3,521
of which loans and advances to customers	582	(83.5)	3,521
Inter-area positions	-	-	-
Tangible assets	30	n.s.	0
Other assets	2,179	(64.7)	6,172
Total assets/liabilities and equity	**4,163**	**(57.1)**	**9,714**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	36	n.s.	0
Deposits from customers	36	187.5	13
Debt certificates	239	(69.6)	785
Inter-area positions	2,691	(53.4)	5,775
Other liabilities	205	n.s.	-
Economic capital allocated	956	(69.6)	3,141
Memorandum item:			
Risk-weighted assets	3,022	(68.8)	9,692

The United States

Highlights

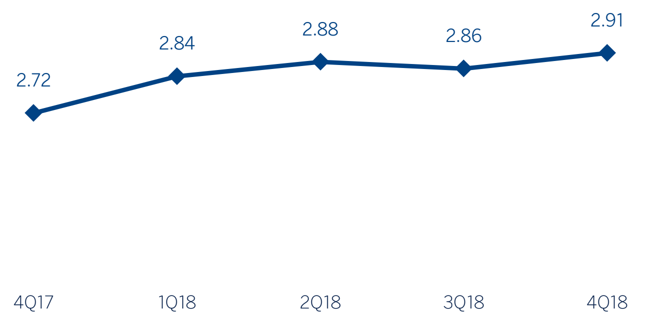
- Lending growth supported by business financing and retail segments.
- Good performance of net interest income and provisions.
- Efficiency improvement.
- Net attributable profit affected by the tax reform at the end of 2017.

Business activity (1)
(Year-on-year change at constant exchange rate. Data as of 31-12-18)

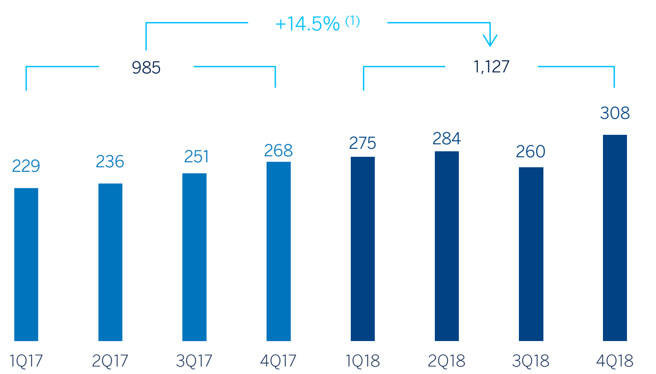


(1) Excluding repos.

Net interest income/ATAs
(Percentage. Constant exchange rate)

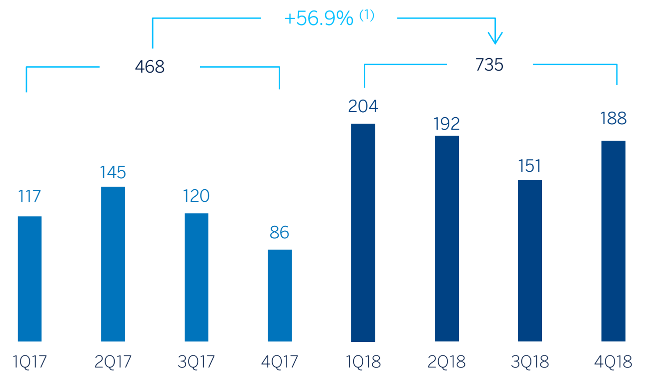


Operating income
(Millions of euros at constant exchange rate)



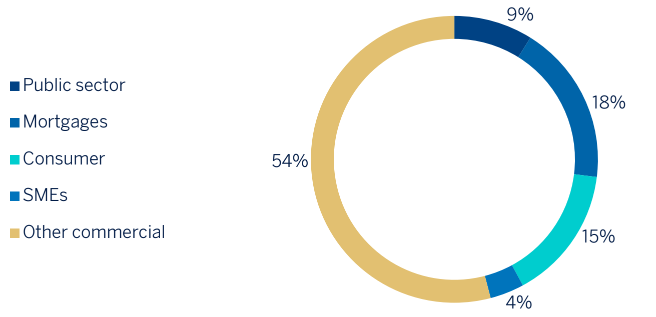
(1) At current exchange rate: +10.0%.

Net attributable profit
(Millions of euros at constant exchange rate)



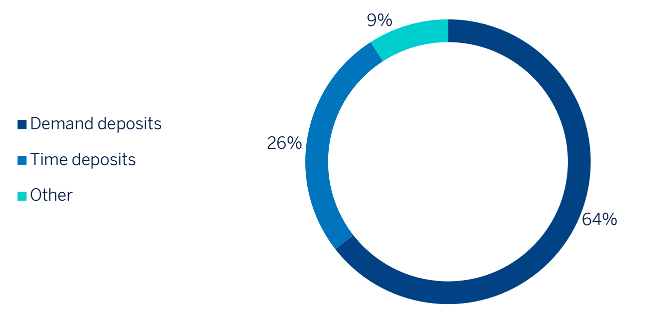
(1) At current exchange rate: +51.3%.

Breakdown of performing loans under management (1)
(31-12-18)



(1) Excluding repos.

Breakdown of customer funds under management (1)
(31-12-18)



(1) Excluding repos.

Macro and industry trends

According to the latest available information from the Bureau of Economic Analysis (BEA), in the third quarter of 2018, annualized US **GDP** growth moderated from 4.2% to 3.4% as a result of the moderation of non-residential investment and the drop in exports after the strong rebound in the previous quarter. Furthermore, private consumption remains robust, supported by the dynamism of the labor market and the growth in wages, as well as public spending, driven by a more expansive fiscal policy. According to the most recent indicators growth could reach approximately 2.9% during 2018. Despite the strength of domestic demand and an unemployment rate below 4% last year, core **inflation** (PCE) remained relatively stable at approximately 2% in 2018, while the fall of prices of energy products was reflected in a strong moderation of headline inflation to 1.9% in November from rates close to 3% in the middle of the year. The Fed continued with the normalization process, with four increases of 25 basis points each in 2018 (up to the 2.25%-2.50% range).

The persistence of the expansive cycle in the country, together with the resurgence of uncertainty and financial volatility, associated with a combination of factors (among them, the fear of an escalating protectionism and a greater perception of risk on the vulnerability of emerging markets) have substantially revalued the **dollar** since the second quarter of 2018, which appreciated by around 7% during the year, with December closing data of the effective exchange rate weighted by the importance of its main trading partners.

The general situation of the country's **banking system** continued to be favorable. According to the latest available data from the Fed through November 2018, the total volume of bank credit in the system increased by 5.0% over the same month of the previous year, with a particularly positive performance in commercial loans (up 17.0% year-on-year), while real estate loans (including the mortgage loans) stayed flattish in the last twelve months. On the other hand, deposits remained basically at the same level as the prior year (down 0.6%). Lastly, non-performing loans continued their downward trend, with an NPL ratio of 1.58% at the end of the third quarter of 2018.

Activity

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

The most relevant aspects related to the area's activity in 2018 were:

Financial statements and relevant business indicators
(Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ%	Δ% (1)	IAS 39 2017
Net interest income	**2,276**	**7.4**	**12.1**	**2,119**
Net fees and commissions	596	(7.5)	(3.8)	644
Net trading income	109	(1.9)	0.9	111
Other operating income and expenses	9	n.s.	256.4	2
Gross income	**2,989**	**3.9**	**8.3**	**2,876**
Operating expenses	(1,862)	0.6	4.9	(1,851)
Personnel expenses	(1,051)	(1.6)	2.7	(1,067)
Other administrative expenses	(633)	6.0	10.5	(598)
Depreciation	(178)	(4.6)	(0.4)	(187)
Operating income	**1,127**	**10.0**	**14.5**	**1,025**
Impairment on financial assets not measured at fair value through profit or loss	(225)	(6.8)	(2.6)	(241)
Provisions or reversal of provisions and other results	16	n.s.	n.s.	(36)
Profit/(loss) before tax	**919**	**22.9**	**27.6**	**748**
Income tax	(184)	(29.8)	(26.9)	(262)
Profit/(loss) for the year	**735**	**51.3**	**56.9**	**486**
Non-controlling interests	-	-	-	-
Net attributable profit	**735**	**51.3**	**56.9**	**486**

Balance sheets	IFRS 9 31-12-18	Δ%	Δ% (1)	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	4,835	(32.3)	(35.3)	7,138
Financial assets designated at fair value	10,481	(5.3)	(9.6)	11,068
of which loans and advances	156	179.2	n.s.	56
Financial assets at amortized cost	63,539	16.1	10.9	54,705
of which loans and advances to customers	60,808	13.2	8.1	53,718
Inter-area positions	-	-	-	-
Tangible assets	668	1.5	(3.1)	658
Other assets	2,534	14.8	9.6	2,207
Total assets/liabilities and equity	**82,057**	**8.3**	**3.4**	**75,775**
Financial liabilities held for trading and designated at fair value through profit or loss	234	68.2	60.6	139
Deposits from central banks and credit institutions	3,370	(5.9)	(10.1)	3,580
Deposits from customers	63,891	5.1	0.3	60,806
Debt certificates	3,599	78.4	70.3	2,017
Inter-area positions	2,528	127.8	117.5	1,110
Other liabilities	5,395	(0.7)	(5.2)	5,431
Economic capital allocated	3,040	12.9	7.8	2,693

Relevant business indicators	31-12-18	Δ%	Δ% (1)	31-12-17
Performing loans and advances to customers under management (2)	60,784	12.5	7.4	54,036
Non-performing loans	802	15.1	9.9	696
Customer deposits under management (2)	63,888	5.1	0.3	60,806
Off-balance sheet funds (3)	-	-	-	-
Risk-weighted assets	64,146	9.3	4.4	58,688
Efficiency ratio (%)	62.3			64.4
NPL ratio (%)	1.3			1.2
NPL coverage ratio (%)	85			104
Cost of risk (%)	0.39			0.43

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

- **Lending activity** in the area (performing loans under management) showed an increase by 7.4% year-on-year.
- By **portfolio**, higher interest rates continued affecting negatively the mortgages and loans to developers (construction real estate). By contrast, the consumer and credit card loans, which have higher margins and are therefore more profitable, increased by 28.2% year-on-year. Both other commercial (up 7.0%) and corporates also performed well (up 12.3%).
- Regarding the **risk indicators**, slight rebound of the NPL ratio in the quarter, which stood at 1.3% from 1.1% registered as of 30-September-2018, due to the deterioration of certain singular clients. On the other hand, the NPL coverage ratio closed at 85%.
- Customer **deposits** under management closed in line with the figure of December 2017 (+0.3%), affected by the deposit-gathering campaigns, with an increase the time deposits (+2.2%) and a decrease in the demand deposits (-4.0%).

Results

The United States generated a cumulative net attributable **profit** of €735m during 2018, 56.9% higher than the one registered twelve months earlier, due mainly to the increase in net interest income, lower provisions and lower tax expenses. Also worth noting are the following:

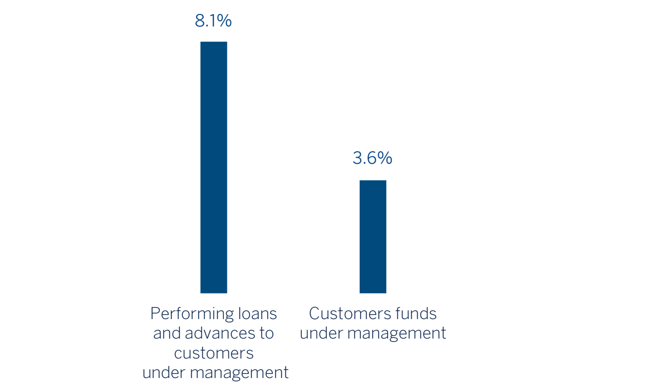
- **Net interest income** continued to perform positively, with the cumulative figure up by 12.1% year-on-year and 2.9% over the last quarter of 2018. This was due partly to the Fed's interest-rate hikes, but also the measures adopted by BBVA Compass to improve loan yields and contain the increase in the cost of deposits (improved deposit mix and wholesale funding).
- **Net fees and commissions** declined by 3.8% year-on-year, due to a lower contribution from markets, investment banking and money transfers.
- **Operating expenses** grew by 4.9% year-on-year, mainly due to greater activity related to the growth of consumer loans. This increase is lower than that shown by the gross margin (+8.3%), as a result, the efficiency ratio improved.
- **Impairment losses on financial assets** fell by 2.6% in the last twelve months, due to the lower provisioning requirements in those portfolios affected by the 2017 hurricanes. As a result, the cumulative cost of risk through 31-December-2018 declined to 0.39%.
- Lastly, **income tax** declined as a result of a reduction in the effective tax rate following the tax reform approved at the end of 2017, which in addition generated a one-off charge in the amount of €78m due to the valuation of deferred tax assets.

Mexico

Highlights

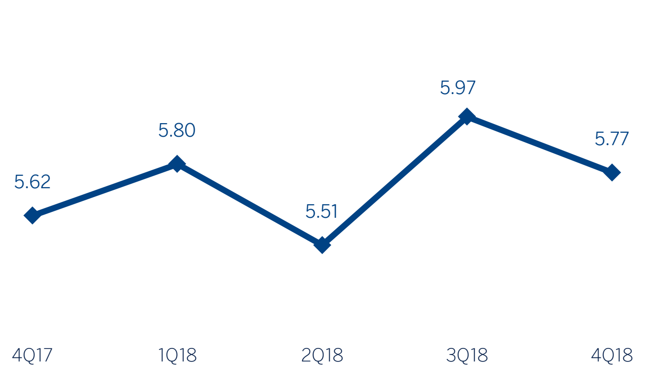
- **Good performance of the activity, with growth in all segments.**
- **Expenses increase below the rate of gross income.**
- **Double-digit year-on-year growth in net attributable profit.**
- **Good asset quality indicators.**

Business activity [1]
(Year-on-year change at constant exchange rate. Data as of 31-12-18)

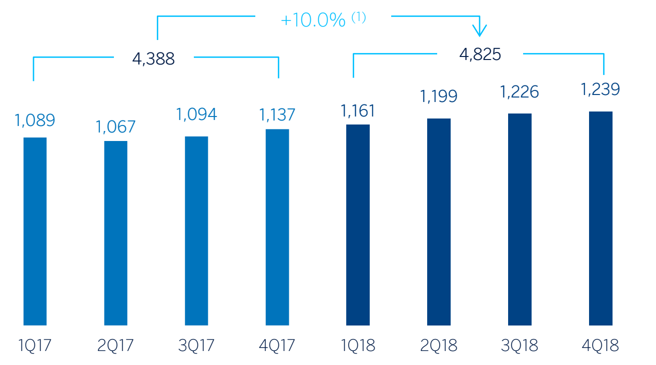


[1] Excluding repos.

Net interest income/ATAs
(Percentage. Constant exchange rate)

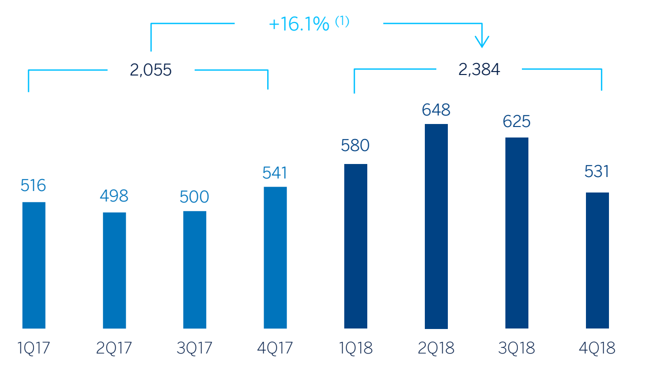


Operating income
(Millions of euros at constant exchange rate)



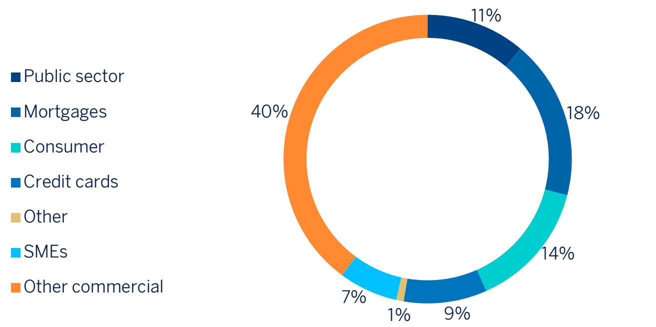
[1] At current exchange rate: +3.3%.

Net attributable profit
(Millions of euros at constant exchange rate)



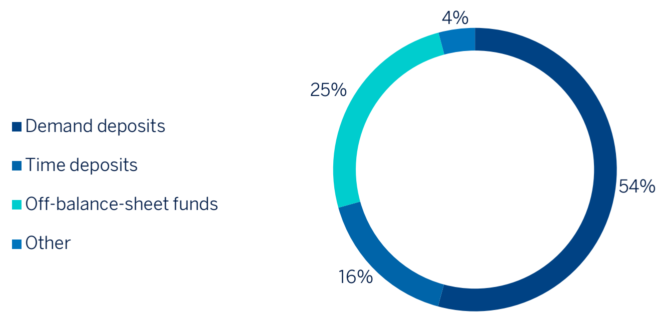
[1] At current exchange rate: +9.0%.

Breakdown of performing loans under management [1]
(31-12-18)



[1] Excluding repos.

Breakdown of customer funds under management [1]
(31-12-18)



[1] Excluding repos.

Macro and industry trends

The quarterly **GDP growth** in Mexico was 0.8% in the third quarter of 2018, measured in figures adjusted by seasonality. This expansion, after a growth by 1.1% in the first quarter and a slight contraction of 0.1% in the second quarter, is mainly explained by the expansion of services and the manufacturing sector. On the demand side, the main contribution to growth in the third quarter has been from consumption. While private investment has shown new signs of weakness. The trade agreement reached by Mexico, the United States and Canada, as well as the reduction in uncertainty regarding the economic policy of the administration of Andrés Manuel López Obrador, who assumed the presidency of the country on December 1, could help to maintain in the following periods the dynamism observed in the third quarter.

With respect to **inflation**, the increase observed in recent months seems to be transitory, since it is mainly due to the increase in energy prices, while core inflation remains relatively stable. This, together with contained inflation pressures, suggests that additional interest rate hikes by Banxico might not be necessary for the remainder of the year.

For yet another quarter, the Mexican **banking system** showed excellent levels of solvency and asset quality. According to the latest available information from the Mexican National Banking and Securities Commission (CNBV) in November 2018, activity remained as strong as in previous quarters, with year-on-year growth in the volume of lending and deposits (demand and time deposits) at 10.6% and 8.4%, respectively. Both the NPL ratio (2.2%) and NPL coverage ratio (150%) were stable. Finally, solvency in the system is at a comfortable level, with a capital adequacy ratio of 15.65% as of the end of October 2018.

Activity

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

The most relevant aspects related to the area's activity year in 2018 were:

- Year-on-year increase in **lending** (performing loans and advances to customers under management) of 8.1%. BBVA maintains its leading position in the country, with a market share of 22.6% in outstanding performing loans, according to local figures from the CNBV at the end of November 2018.

Financial statements and relevant business indicators
(Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ%	Δ% (1)	IAS 39 2017
Net interest income	**5,568**	**1.7**	**8.2**	**5,476**
Net fees and commissions	1,205	(1.2)	5.1	1,219
Net trading income	223	(10.4)	(4.6)	249
Other operating income and expenses	197	11.2	18.3	177
Gross income	**7,193**	**1.0**	**7.5**	**7,122**
Operating expenses	(2,368)	(3.4)	2.8	(2,452)
Personnel expenses	(1,024)	(2.6)	3.7	(1,051)
Other administrative expenses	(1,091)	(4.7)	1.5	(1,145)
Depreciation	(253)	(1.3)	5.1	(256)
Operating income	**4,825**	**3.3**	**10.0**	**4,671**
Impairment on financial assets not measured at fair value through profit or loss	(1,555)	(5.8)	0.2	(1,651)
Provisions or reversal of provisions and other results	24	n.s.	n.s.	(35)
Profit/(loss) before tax	**3,294**	**10.4**	**17.5**	**2,984**
Income tax	(909)	14.0	21.4	(797)
Profit/(loss) for the year	**2,385**	**9.0**	**16.1**	**2,187**
Non-controlling interests	(0)	9.1	16.1	(0)
Net attributable profit	**2,384**	**9.0**	**16.1**	**2,187**

Balance sheets	IFRS 9 31-12-18	Δ%	Δ% (1)	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	8,274	(6.3)	(11.0)	8,833
Financial assets designated at fair value	26,022	(9.1)	(13.6)	28,627
of which loans and advances	72	(95.4)	(95.6)	1,558
Financial assets at amortized cost	57,709	21.0	15.0	47,691
of which loans and advances to customers	51,101	11.7	6.1	45,768
Tangible assets	1,788	2.2	(2.8)	1,749
Other assets	2,663	(62.8)	(64.7)	7,160
Total assets/liabilities and equity	**96,455**	**2.5**	**(2.5)**	**94,061**
Financial liabilities held for trading and designated at fair value through profit or loss	18,028	91.7	82.2	9,405
Deposits from central banks and credit institutions	683	(88.3)	(88.9)	5,853
Deposits from customers	50,530	1.1	(3.9)	49,964
Debt certificates	8,566	17.1	11.4	7,312
Other liabilities	14,508	(17.7)	(21.8)	17,627
Economic capital allocated	4,140	6.2	0.9	3,901

Relevant business indicators	31-12-18	Δ%	Δ% (1)	31-12-17
Performing loans and advances to customers under management (2)	51,387	13.7	8.1	45,196
Non-performing loans	1,138	1.3	(3.7)	1,124
Customer deposits under management (2)	49,740	10.3	4.9	45,093
Off-balance sheet funds (3)	20,647	6.0	0.8	19,472
Risk-weighted assets	53,359	18.7	12.9	44,941
Efficiency ratio (%)	32.9			34.4
NPL ratio (%)	2.1			2.3
NPL coverage ratio (%)	154			123
Cost of risk (%)	3.07			3.24

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

- By portfolios: the **wholesale portfolio**, which represents 51.8% of total lending, increased by 9.4% in year-on-year terms, driven mainly by medium-sized companies and the corporates segment. As for the **retail portfolio**, it increased by 6.7% (including SMEs), which was heavily supported by consumer loans (payroll, personal and auto), which rose by 8.7%.

- With respect to the **asset quality** indicators, the NPL ratio closed at 2.1% from the 2.3% registered twelve months earlier. The NPL coverage ratio closed at 154%.

- Total customer **funds** (customer deposits under management, mutual funds and other off-balance sheet funds) showed a year-on-year increase of 3.6%, with remarkable growth in demand deposits (+7.6%), in time deposits (+4.0%) and mutual funds (+2.6%).

- A profitable funding mix: low-cost accounts represent 77% of total customer deposits under management.

Results

BBVA in Mexico posted in 2018 a net attributable **profit** of €2,384m, a year-on-year increase of 16.1%. The main highlights in the evolution of income statement in Mexico is summarized below:

- Positive performance of the **net interest income**, which showed a year-on-year growth of +8.2%, highly aligned with lending activity (+8.1%).

- Good performance of **net fees and commissions**, which showed an increase of 5.1% as a result of increased activity in mutual funds, as well as a higher volume of transactions with on-line banking and credit card customers.

- **NTI** registered a decrease (-4.6%) due to the unfavorable performance of the Global Markets unit during 2018.

- The **other operating income/expenses** line registered year-on-year growth of 18.3%, mainly due to the positive performance of the insurance activity.

- **Operating expenses** continued to grow at a very controlled pace (up +2.8% year-on-year) and below the area's **gross income** growth (+7.5%). As a result, the efficiency ratio has continued to improve and stood at 32.9% as of December 31, 2018.

- Adequate risk management has been reflected in the change in the **impairment losses on financial assets** line item, which remains at the same level as 2017 (+0.2% year-on-year), despite the loan growth during the year, mainly explained by a change in the mix of the loan portfolio. As a result, the cumulative cost of risk in the area closed at 3.07% versus 3.24% as of December 2017.

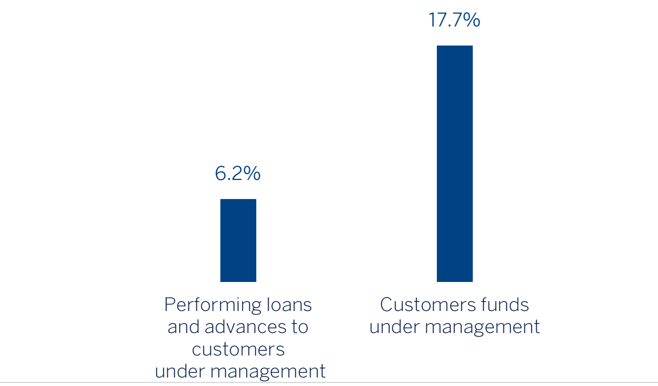
- The positive evolution in the **other gains (losses)** line, that included the extraordinary income from the sale of BBVA Bancomer's stake in a real-estate development and the capital gain from the sale of a corporate building by Bancomer.

Turkey

Highlights

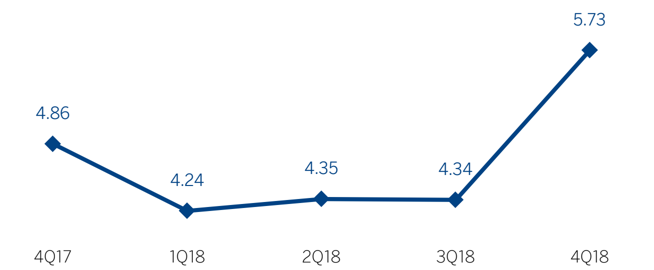
- **Activity impacted by the evolution of exchange rates.**
- **Good performance of recurring revenue items, as a result of the inflation-linked bonds performance.**
- **Operating expenses growth below inflation.**
- **Risk indicators affected by the update of the macroeconomic scenario and certain negative impacts of the portfolio of wholesale customers.**

Business activity (1)
(Year-on-year change at constant exchange rate. Data as of 31-12-18)

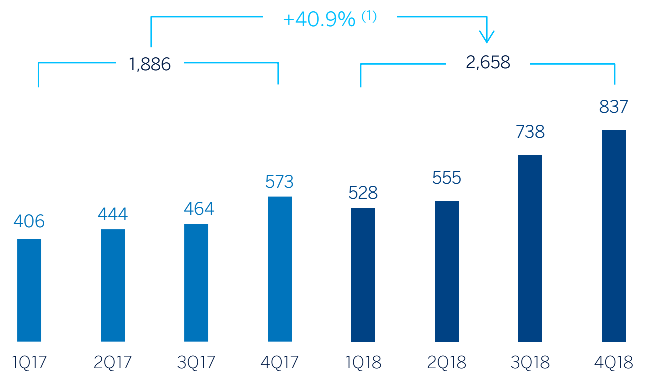


(1) Excluding repos.

Net interest income/ATAs
(Percentage. Constant exchange rate)

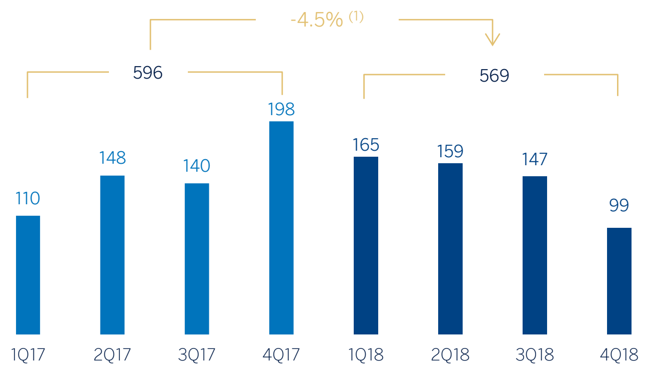


Operating income
(Millions of euros at constant exchange rate)



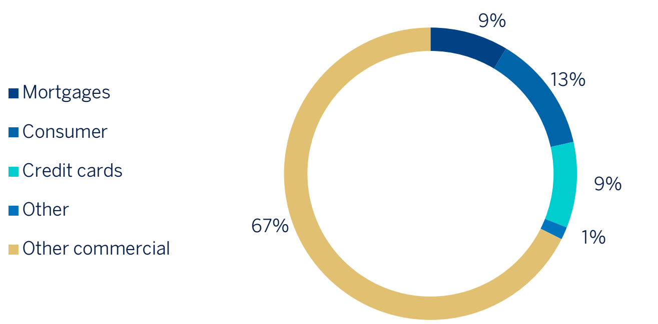
(1) At current exchange rate: +1.8%.

Net attributable profit
(Millions of euros at constant exchange rate)



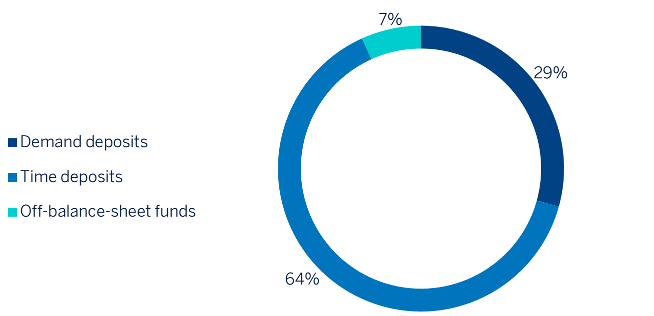
(1) At current exchange rate: -31.0%.

Breakdown of performing loans under management (1)
(31-12-18)



(1) Excluding repos.

Breakdown of customer funds under management (1)
(31-12-18)



(1) Excluding repos.

Macro and industry trends

According to the most recent figures from the Turkish Statistical Institute, Turkey's year-on-year **economic growth** was 1.6% in the third quarter of 2018, supported by the considerable positive external demand contribution, while domestic demand, including inventories, hindered growth.

Year-on-year inflation experienced a rapid correction as it declined from 24.5% in September to 20.3% in December, as a result of tax reductions in certain items, price discount campaigns, the contraction in oil prices and the appreciation of the Turkish lira by around 20% in the last four months of 2018.

Throughout the year, the Central Bank (CBRT) increased its funding **interest rate** by 1.125 basis points. However, in its December meeting the CBRT decided to keep it at 24.0%. With this decision, the CBRT strengthened its message against the easing expectations of the market, saying that risks on price stability continue to prevail despite the recent improvement in inflation outlook due to the developments in import prices and domestic demand conditions. Regarding fiscal policy stance, the government's budget targets were met at the end of 2018 with the support of one-off revenues.

Regarding the evolution of the Turkish **financial sector,** year-on-year credit growth has continued to decelerate during the last quarter of 2018, mainly due to business lending. By the last week of December 2018, the year-on-year total lending growth rate (adjusted for the depreciation of the lira effect) fell to 3.1%. On the other hand, customer deposits have also shown sign of a slowdown. The year-on-year total deposits growth rate fell to 6.2% (adjusted for the depreciation of the lira effect). Turkish-lira deposits grew by 10.6% and foreign-currency deposits (mainly in U.S. dollars) contracted by 7.6%. Lastly, the NPL ratio closed at 3.66% for December 28th (an increase of 59 basis points in the last quarter).

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, 2018 have been:

Financial statements and relevant business indicators
(Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ%	Δ% (1)	IAS 39 2017
Net interest income	**3,135**	**(5.9)**	**30.3**	**3,331**
Net fees and commissions	686	(2.4)	35.1	703
Net trading income	11	(24.2)	5.0	14
Other operating income and expenses	70	3.4	43.1	67
Gross income	**3,901**	**(5.2)**	**31.3**	**4,115**
Operating expenses	(1,243)	(17.3)	14.5	(1,503)
Personnel expenses	(656)	(17.9)	13.6	(799)
Other administrative expenses	(449)	(14.6)	18.2	(526)
Depreciation	(138)	(22.4)	7.5	(178)
Operating income	**2,658**	**1.8**	**40.9**	**2,612**
Impairment on financial assets not measured at fair value through profit or loss	(1,202)	165.3	267.4	(453)
Provisions or reversal of provisions and other results	(8)	(33.7)	(8.2)	(12)
Profit/(loss) before tax	**1,448**	**(32.5)**	**(6.6)**	**2,147**
Income tax	(294)	(31.0)	(4.5)	(426)
Profit/(loss) for the year	**1,154**	**(32.9)**	**(7.1)**	**1,720**
Non-controlling interests	(585)	(34.6)	(9.5)	(895)
Net attributable profit	**569**	**(31.0)**	**(4.5)**	**826**

Balance sheets	IFRS 9 31-12-18	Δ%	Δ% (1)	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	7,853	94.6	159.3	4,036
Financial assets designated at fair value	5,506	(14.2)	14.3	6,419
of which loans and advances	410	n.s.	n.s.	-
Financial assets at amortized cost	50,315	(22.7)	3.0	65,083
of which loans and advances to customers	41,478	(19.3)	7.6	51,378
Tangible assets	1,059	(21.2)	5.1	1,344
Other assets	1,517	(16.3)	11.6	1,811
Total assets/liabilities and equity	**66,250**	**(15.8)**	**12.2**	**78,694**
Financial liabilities held for trading and designated at fair value through profit or loss	1,852	185.9	281.0	648
Deposits from central banks and credit institutions	6,734	(39.8)	(19.8)	11,195
Deposits from customers	39,905	(10.7)	19.0	44,691
Debt certificates	5,964	(28.5)	(4.8)	8,346
Other liabilities	9,267	(18.1)	9.1	11,321
Economic capital allocated	2,529	1.4	35.2	2,493

Relevant business indicators	31-12-18	Δ%	Δ% (1)	31-12-17
Performing loans and advances to customers under management (2)	40,996	(20.3)	6.2	51,438
Non-performing loans	2,876	12.7	50.1	2,553
Customer deposits under management (2)	39,897	(10.4)	19.4	44,539
Off-balance sheet funds (3)	2,894	(25.8)	(1.2)	3,902
Risk-weighted assets	56,486	(10.0)	19.9	62,768
Efficiency ratio (%)	31.9			36.5
NPL ratio (%)	5.3			3.9
NPL coverage ratio (%)	81			85
Cost of risk (%)	2.44			0.82

(1) Figures at constant exchange rate.

(2) Excluding repos.

(3) Includes mutual funds, pension funds and other off-balance-sheet funds.

- **Lending activity** (performing loans under management) grew by 6.2% in the year driven by the evolution of exchange rates (down 11.2% in the quarter). On the one hand, Garanti Bank continued to reduce its exposure in foreign-currency loans (in U.S. dollars) in all quarters of 2018 in line with its corporate strategy; while on the other hand, Turkish-lira loan growth decelerated in the third quarter and decreased significantly in the last quarter of 2018.

- By **segments**, contraction has accelerated in the fourth quarter in all types of loans except auto loans and credit cards, which grew above the sector. On the contrary, the contraction in consumer and mortgage loans accelerated in the quarter in line with the sector and there was a contraction in Turkish-lira business banking loans which is in line with the private banks.

- In terms of **asset quality**, the NPL ratio increased to 5.3% due to the macroeconomic conditions and the inflow of certain doubtful clients. The NPL coverage ratio stood at 81%.

- Customer **deposits** (60% of total liabilities in the area as of December 31, 2018) remained the main source of funding for the Turkish´s balance sheet and grew by 19.4% in 2018 mainly supported by the growth of Garanti Bank Turkish-lira deposits. On the other hand, shrinkage in foreign-currency customer deposits (in U.S. dollars) continued due to higher interest rates in Turkish-lira deposits.

- All funding and liquidity ratios remained within comfort levels, and Garanti maintained its **solvency** levels well above requirements.

Results

In 2018, Turkey generated a cumulative attributable **profit** of €569m, a year-on-year decline of 4.5%. The most significant aspects of the year-on-year evolution in the income statement were as follows:

- Positive performance of **net interest income** (up to 30.3%) despite the pressure on customer spreads, mainly due to the significant income from inflation-linked bonds, whose contribution, compared to previous year, is more than double.

- Income from **net fees and commissions** grew by 35.1%. This significant increase was mainly driven by the positive performance in payment systems, advances, money transfers and other commissions.

- Increase in **NTI** (by 5.0%) where the high performance of global markets, asset and liabilities management and derivatives offsets the Turkish lira depreciation.

- **Gross income** was up 31.3% in 2018 compared to 2017, thanks to the increase in core banking activities and the aforementioned higher inflation-linked bonds contribution.

- **Operating expenses** increased by 14.5%, below the average inflation rate (16.2%) and well below the year-on-year growth rate in gross income. As a result of strict cost-control discipline, the efficiency ratio declined to 31.9%.

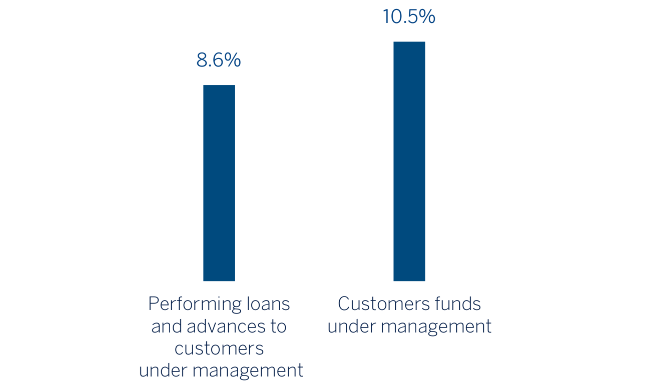
- **Impairment on financial assets** increased in year-on-year terms by 267.4%, mainly denominated by big ticket provisions coming from the wholesale-customer portfolio and also the macroeconomic scenario update. As a result, the cumulative cost of risk of the area increased to 2.44%.

South America

Highlights

- **Excluding BBVA Chile, the activity evolves at a good pace.**
- **Argentina hyperinflation adjustment impacts in every item of the income statement.**

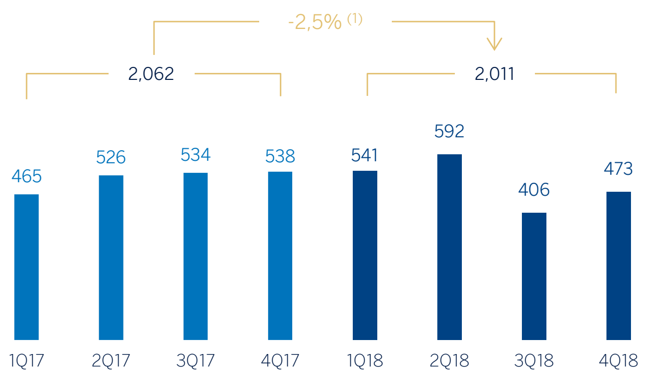
Business activity [(1)]
(Year-on-year change at constant exchange rates. Data as of 31-12-18)



[(1)] Excluding repos. Excludes BBVA Chile

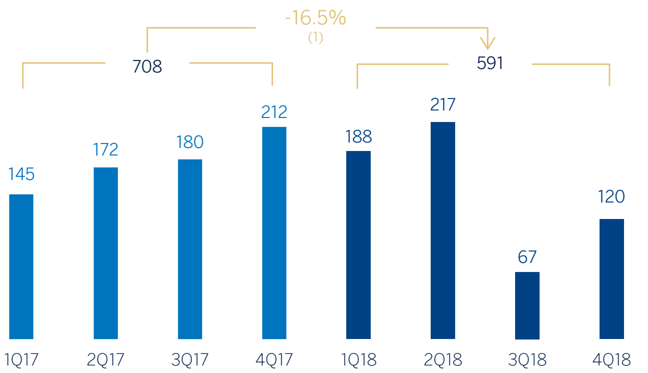
Net interest income/ATAs
(Percentage. Constant exchange rates)

Operating income
(Millions of euros at constant exchange rates)



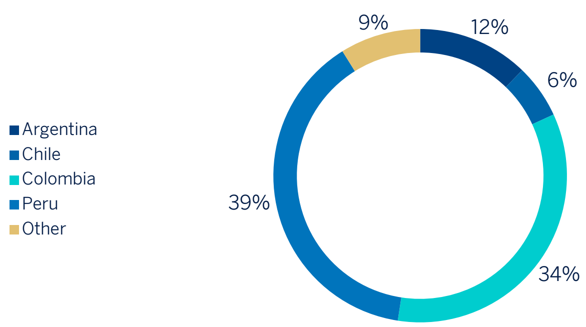
[(1)] At current exchange rates: -17.7%.

Net attributable profit
(Millions of euros at constant exchange rates)



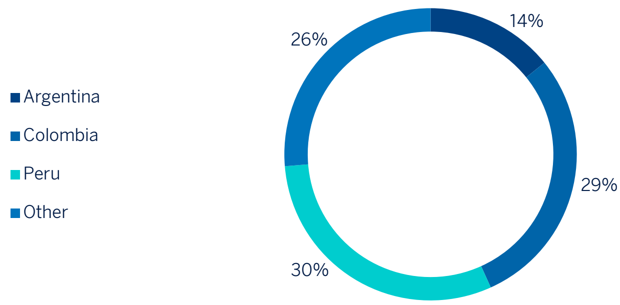
[(1)] At current exchange rates: -31.3%.

Breakdown of performing loans under management [(1)]
(31-12-18)



[(1)] Excluding repos.

Breakdown of customer funds under management [(1)]
(31-12-18)



[(1)] Excluding repos.

Macro and industry trends

The **activity** of the South American economies has exhibited, in general, a positive performance in the third quarter of 2018, mainly in the Andean countries, supported by a relatively expansive monetary policy. In contrast, economic activity in Argentina contracted once again, although significantly less than in the second quarter, in an environment in which stabilization signs are beginning to appear after the financial tensions that were previously present, and in which restrictive economic policies continue to be maintained. In the rest of the countries in the region, consumption continues to recover, supported by relatively low levels of inflation, and also investment, driven by the increase in domestic demand and the recovery of confidence.

Inflation in the region remains generally under control, at levels close to the objectives of the respective central banks. In this sense, an end to the lax monetary policy phase could be coming, and gradual increases in interest rates by the monetary authorities could begin in the coming months. As with the case of economic activity, the situation in Argentina contrasts with that of the other countries in the region. Despite recent signs of moderation, inflation remains high, in a context in which the restrictive tone of monetary policy is implemented through the nominal stability of monetary aggregates.

Regarding the **banking systems** within BBVA's regional footprint, the macroeconomic backdrop and low levels of banking penetration in these countries in aggregate terms (obviously with differences between countries) led to strong results in the main indicators of profitability and solvency, while non-performing loans remained under control. In addition, there has been sustained growth in lending and deposits.

Activity

On 6-July-2018, after obtaining all required authorizations, BBVA completed the **sale** to The Bank of Nova Scotia of its direct and indirect stake in Banco Bilbao Vizcaya Argentaria, Chile (**BBVA Chile**) as well as in other companies of its group in Chile whose operations are complementary to the banking business (particularly, BBVA Seguros Vida, S.A.). The impacts of this transaction were reflected in the financial statements of the BBVA Group for the third quarter of 2018. In addition, as it was announced to the market through relevant event on December 19, 2018 BBVA has decided to initiate a strategic review of alternatives for its automobile financing business in Chile mainly carried out by the company Forum Servicios Financieros, S.A. ("Forum"). Despite Forum being a highly attractive business, BBVA´s sale of its banking business in Chile, advises the initiation of this review process.

Financial statements and relevant business indicators
(Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ%	Δ% [1]	IAS 39 2017
Net interest income	**3,009**	**(6.0)**	**12.8**	**3,200**
Net fees and commissions	631	(11.4)	10.9	713
Net trading income	405	(15.7)	5.2	480
Other operating income and expenses	(344)	n.s.	n.s.	59
Gross income	**3,701**	**(16.9)**	**1.9**	**4,451**
Operating expenses	(1,690)	(15.8)	7.7	(2,008)
Personnel expenses	(846)	(18.3)	5.9	(1,035)
Other administrative expenses	(719)	(15.5)	7.4	(851)
Depreciation	(125)	3.2	24.7	(121)
Operating income	**2,011**	**(17.7)**	**(2.5)**	**2,444**
Impairment on financial assets not measured at fair value through profit or loss	(638)	(1.9)	5.2	(650)
Provisions or reversal of provisions and other results	(65)	(36.3)	(15.5)	(103)
Profit/(loss) before tax	**1,307**	**(22.7)**	**(5.1)**	**1,691**
Income tax	(475)	(2.2)	23.9	(486)
Profit/(loss) for the year	**833**	**(30.9)**	**(16.3)**	**1,205**
Non-controlling interests	(241)	(29.9)	(15.9)	(345)
Net attributable profit	**591**	**(31.3)**	**(16.5)**	**861**

Balance sheets	IFRS 9 31-12-18	Δ%	Δ% [1]	IAS 39 -31-12-17
Cash, cash balances at central banks and other demand deposits	8,987	(0.6)	11.0	9,039
Financial assets designated at fair value	5,634	(51.5)	(47.0)	11,627
of which loans and advances	129	n.s.	n.s.	3
Financial assets at amortized cost	36,649	(28.4)	(21.3)	51,207
of which loans and advances to customers	34,469	(28.6)	(21.6)	48,272
Tangible assets	813	12.1	33.3	725
Other assets	302	(85.2)	(83.9)	2,038
Total assets/liabilities and equity	**52,385**	**(29.8)**	**(22.7)**	**74,636**
Financial liabilities held for trading and designated at fair value through profit or loss	1,357	(51.9)	(48.4)	2,823
Deposits from central banks and credit institutions	3,076	(59.3)	(57.9)	7,552
Deposits from customers	35,842	(21.5)	(13.0)	45,666
Debt certificates	3,206	(55.5)	(53.0)	7,209
Other liabilities	6,551	(23.0)	(10.4)	8,505
Economic capital allocated	2,355	(18.3)	(7.5)	2,881

Relevant business indicators	31-12-18	Δ%	Δ% [1]	31-12-17
Performing loans and advances to customers under management [2]	34,518	(28.2)	(21.2)	48,068
Non-performing loans	1,747	(7.3)	(3.2)	1,884
Customer deposits under management [3]	35,984	(21.7)	(13.2)	45,970
Off-balance sheet funds [4]	11,662	(4.4)	(1.1)	12,197
Risk-weighted assets	42,736	(23.7)	(14.4)	55,975
Efficiency ratio (%)	45.7			45.1
NPL ratio (%)	4.3			3.4
NPL coverage ratio (%)	97			89
Cost of risk (%)	1.44			1.32

[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.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be provided at constant exchange rates, and will be impacted by the divestment in BBVA Chile. These rates, together with 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 in 2018 were:

- **Lending** (performing loans under management) in South America was 21.2% below the same period the previous year. Excluding BBVA Chile from the comparison, loans to customers grew by 8.6% since 31-12-2017. By country, the most significant increase was in Argentina (up 41.6% year-on-year) together with the improvement in lending in Colombia and Peru. By portfolios, excluding BBVA Chile from the comparison, performance was especially positive in the mortgage, consumer and business banking segments.
- Regarding **asset quality** of the portfolio, the NPL ratio, as of 31-December-2018 stood at 4.3%, in line with the previous quarter, while the NPL coverage ratio decreased to 97% (101% as of 30-September-2018).
- Customer **funds** decreased by 13.2%, although on a comparable basis, i.e. excluding BBVA Chile from the comparison, they grew by 10.7%. Off-balance-sheet funds, on a comparable basis, increased by 10.1% year-on-year. By country there was a positive trend in Argentina, Colombia and to a lesser extent in Peru, with a total customer funds increase of +61.8, +8.3 and +4.7%, respectively.

Results

South America generated a net attributable **profit** of €591m, which represents year-on-year variation of -16.5% (-31.3% at current exchange rates). This evolution is affected by the negative impact of accounting for hyperinflation in Argentina in the net attributable profit of the area (€-266m) as well as by the change in the perimeter originated from the sale of BBVA Chile. Excluding these two impacts, the most recurrent income (net interest income and commissions) and NTI increased by 11.7% in year-on-year terms, which offsets the increase of the impairment losses on financial assets (up 5.2% compared to the close of 2017). As a result, the cumulative cost of risk at the close of December stood at 1.44%.

By country, the trends in 2018 were as follows:

- In **Argentina**, there was year-on-year growth in gross income of 29.2%. This increase was based both on the performance of recurring revenue (boosted by higher volumes of business) and the positive performance of NTI (mainly due to exchange rates). The aforementioned in combination with the increase in impairment losses on financial assets and the negative effect of hyperinflation adjustment posted a net attributable profit of -€29m.
- In **Colombia**, the increase in earnings was based on the good performance of net interest income (due to a positive performance in activity and customer spreads) and higher net fees and commissions, which boosted gross income (up 5.3%). The aforementioned, together with the reduction of impairment losses on financial assets, this led to a year-on-year increase of 16.6% in the net attributable profit.
- In **Peru**, net attributable profit increased by 14.3% year-on-year, leveraged by the good performance of net interest income (increase in lending), higher net fees and commissions and a good performance of the impairment losses on financial assets.

South America. Data per country (Millions of euros)

	Operating income				Net attributable profit			
Country	**IFRS 9 2018**	**Δ%**	**Δ% [1]**	**IAS 39 2017**	**IFRS 9 2018**	**Δ%**	**Δ% [1]**	**IAS 39 2017**
Argentina	179	(65.7)	(20.6)	522	(29)	n.s.	n.s.	219
Chile	289	(31.2)	(28.9)	421	137	(27.1)	(24.7)	188
Colombia	645	0.3	4.8	644	229	11.6	16.6	206
Peru	736	1.3	6.7	726	195	8.4	14.3	180
Other countries [2]	161	23.0	29.7	131	59	(13.6)	(8.2)	68
Total	**2,011**	**(17.7)**	**(2.5)**	**2,444**	**591**	**(31.3)**	**(16.5)**	**861**

[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	
	31-12-18	31-12-17	31-12-18	31-12-17	31-12-18	31-12-17	31-12-18	31-12-17
Performing loans and advances to customers under management [1, 2]	4,221	2,982	2,045	13,542	11,835	11,385	13,351	13,021
Non-performing loans and guarantees given [1]	87	24	58	390	768	643	709	648
Customer deposits under management [1, 3]	5,986	3,531	10	8,975	12,543	11,702	12,843	12,263
Off-balance sheet funds [1, 4]	783	654	-	1,201	1,287	1,070	1,666	1,589
Risk-weighted assets	8,036	9,364	2,243	14,398	12,672	12,299	15,760	14,879
Efficiency ratio (%)	73.0	56.1	42.1	45.2	36.3	36.0	35.4	35.6
NPL ratio (%)	2.0	0.8	2.8	2.6	6.0	5.3	4.0	3.8
NPL coverage ratio (%)	111	198	93	60	100	88	93	100
Cost of risk (%)	1.60	0.61	0.81	0.76	2.16	2.59	0.98	1.14

(1) Figures at constant exchange rates.

(2) Excluding repos.

(3) Excluding repos and including specific marketable debt securities.

(4) Includes mutual funds, pension funds and other off-balance-sheet funds.

Rest of Eurasia

Highlights

- **Positive trend in lending activity.**
- **Performance of deposits strongly influenced by the environment of negative interest rates.**
- **Despite de control costs, earnings affected by decrease in revenues.**
- **Improvement of the NPL and NPL coverage ratios.**

Macroeconomic environment

Growth in the Eurozone moderated in the third quarter of 2018 to 0.2% quarterly from 0.4% in the second quarter, according to the latest Eurostat information. This performance is mainly explained by a worse exports evolution, while the contribution of domestic demand remained stable despite the lower growth of private consumption. Domestic fundamentals remain solid, with an improvement in the labor market which, together with the moderation in prices, continues to support the growth of private spending, while favorable financial conditions and the absorption of the economy's idle capacity will continue to sustain the recovery of investment. For its part, the depreciation of the euro from the second quarter of 2018 will continue to support the competitiveness of exports. As a result, GDP growth could have been somewhat below 2% in 2018, after a total of 2.5% in 2017.

Headline **inflation** moderated to 1.6% in December after the strong rebound since mid-year due to the significant deceleration in the prices of energy products, while core inflation remained relatively stable at low levels (1.1%). In this context, the ECB announced the completion of asset purchases in December of 2018, although it will continue to reinvest in those that reach their maturity term and will maintain interest rates at low levels until, at least, the summer of 2019. The recent increase in downside risks to growth will keep the ECB cautious.

Activity and results

This business area basically includes the Group's retail and wholesale business in Europe (excluding Spain) and Asia.

The key aspects of the activity and results as of 31-December-2018 in this area were:

- **Lending** (performing loans under management) showed a year-on-year change of 7.7%.

Financial statements and relevant business indicators
(Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ%	IAS 39 2017
Net interest income	**175**	**(2.5)**	**180**
Net fees and commissions	138	(15.9)	164
Net trading income	101	(17.3)	123
Other operating income and expenses	(0)	n.s.	1
Gross income	**415**	**(11.4)**	**468**
Operating expenses	(291)	(5.6)	(308)
Personnel expenses	(136)	(12.8)	(156)
Other administrative expenses	(149)	5.4	(141)
Depreciation	(6)	(44.2)	(11)
Operating income	**124**	**(22.5)**	**160**
Impairment on financial assets not measured at fair value through profit or loss	24	4.0	23
Provisions or reversal of provisions and other results	(3)	(40.4)	(6)
Profit/(loss) before tax	**144**	**(18.5)**	**177**
Income tax	(51)	(2.6)	(52)
Profit/(loss) for the year	**93**	**(25.2)**	**125**
Non-controlling interests	-	-	-
Net attributable profit	**93**	**(25.2)**	**125**

Balance sheets	IFRS 9 31-12-18	Δ%	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	273	(68.9)	877
Financial assets designated at fair value	504	(49.1)	991
of which loans and advances	-	-	-
Financial assets at amortized cost	16,930	12.8	15,009
of which loans and advances to customers	15,731	5.8	14,864
Inter-area positions	-	-	-
Tangible assets	39	10.4	36
Other assets	254	(27.8)	352
Total assets/liabilities and equity	**18,000**	**4.3**	**17,265**
Financial liabilities held for trading and designated at fair value through profit or loss	42	(6.3)	45
Deposits from central banks and credit institutions	1,316	(44.3)	2,364
Deposits from customers	4,876	(27.2)	6,700
Debt certificates	213	(39.9)	354
Inter-area positions	9,977	76.8	5,643
Other liabilities	819	(34.2)	1,246
Economic capital allocated	757	(17.1)	913

Relevant business indicators	31-12-18	Δ%	31-12-17
Performing loans and advances to customers under management [(1)]	16,553	7.7	15,362
Non-performing loans	430	(22.7)	556
Customer deposits under management [(1)]	4,876	(27.2)	6,700
Off-balance sheet funds [(2)]	388	3.2	376
Risk-weighted assets	15,449	(0.3)	15,150
Efficiency ratio (%)	70.2		65.9
NPL ratio (%)	1.7		2.4
NPL coverage ratio (%)	83		74
Cost of risk (%)	(0.11)		(0.16)

[(1)] Excluding repos.

[(2)] Includes mutual funds, pension funds and other off-balance-sheet funds.

- **Credit risk** indicators improved in the last twelve months: the NPL ratio closed at 1.7% (2.4% as of the close of 2017) and the NPL coverage ratio closed at 83% (74% as of 31-December-2017).
- Customer **deposits** under management were still strongly influenced by the negative interest rate environment in the region and showed a decline of 27.2%.
- Regarding **results**, gross income declined (-11.4% year-on-year): Europe (excluding Spain) fell by 13.6% and Asia grew by 11.0%. On the other hand, operating expenses continued to fall (down 5.6%), due to tight control of personnel costs. Impairments on financial assets recorded a release of provisions that were 4.0% higher than the previous year, as a result of lower loan-loss provisions in Europe. As a result, the cumulative net attributable profit of 2018 stood at €93 million (down 25.2% year-on-year).

Corporate Center

The Corporate Center basically includes the costs of the head offices that have a corporate function; management of structural exchange-rate positions; certain issuances of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding earnings, whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. As of the end of 2018, the area includes the 20% participation that BBVA maintains in Divarian.

The Corporate Center registered a net attributable **loss** of €494m during 2018, which positively compares with a loss of €1,848m in 2017. By entries, the most relevant are the following:

- Negative contribution from **NTI**, compared to the capital gains recorded, in the amount of €436m before taxes as of the end of 2017, from the market sales of the stakes in CNCB (€204m in the first quarter, for the sale of 1.7%, and €24m in the third quarter for the sale of the remaining 0.34%).
- Lower **impairment on financial assets**, as in 2017 this line registered the recognition of impairment losses of €1,123m from BBVA's stake in Telefónica, S.A.
- The **results from corporate operations** includes the capital gains (net of taxes) originated by the sale of **BBVA Chile**, which amounts to €633m. Excluding this effect, the attributable profit without corporate operations, amounted to -€1,127m, representing a loss 39.0% lower than the amount registered twelve months earlier.

Financial statements (Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ%	IAS 39 2017
Net interest income	**(276)**	**(22.8)**	**(357)**
Net fees and commissions	(59)	(32.1)	(86)
Net trading income	(155)	n.s.	436
Other operating income and expenses	57	(29.2)	80
Gross income	**(432)**	**n.s.**	**73**
Operating expenses	(920)	3.6	(888)
Personnel expenses	(507)	2.4	(496)
Other administrative expenses	(199)	106.3	(96)
Depreciation	(214)	(27.8)	(297)
Operating income	**(1,352)**	**65.9**	**(815)**
Impairment on financial assets not measured at fair value through profit or loss	(2)	(99.8)	(1,125)
Provisions or reversal of provisions and other results	(65)	(10.8)	(73)
Profit/(loss) before tax	**(1,420)**	**(29.5)**	**(2,013)**
Income tax	290	75.0	166
Profit/(loss) after tax from ongoing operations	(1,130)	(38.8)	(1,847)
Results from corporate operations [1]	633	-	-
Profit/(loss) for the year	**(497)**	**(73.1)**	**(1,847)**
Non-controlling interests	3	n.s.	(1)
Net attributable profit	**(494)**	**(73.3)**	**(1,848)**
Net attributable profit excluding results from corporate operations	**(1,127)**	**(39.0)**	**(1,848)**

[1] Includes net capital gains from the sale of BBVA Chile.

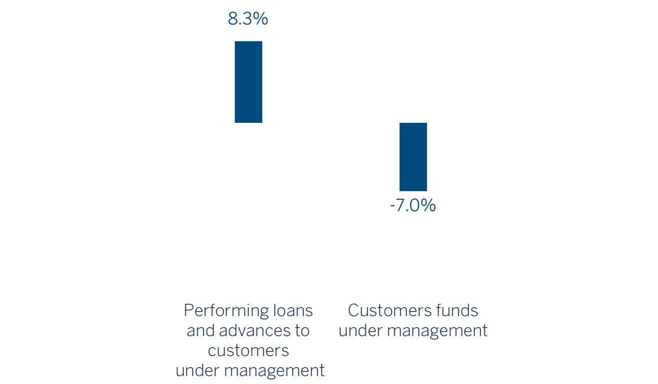
Balance sheets	IFRS 9 31-12-18	Δ%	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	119	n.s.	5
Financial assets designated at fair value	3,304	31.5	2,514
of which loans and advances	-	-	-
Financial assets at amortized cost	-	-	-
of which loans and advances to customers	-	-	-
Inter-area positions	(7,314)	n.s.	(1,501)
Tangible assets	1,567	(17.2)	1,893
Other assets	24,406	38.8	17,585
Total assets/liabilities and equity	**22,084**	**7.7**	**20,497**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	-	-	-
Debt certificates	8,874	1.2	8,772
Inter-area positions	(15,195)	(7.3)	(16,384)
Other liabilities	153	(65.5)	443
Economic capital allocated	(21,674)	(13.1)	(24,941)
Shareholders' funds	49,927	(5.1)	52,606

Other information: Corporate & Investment Banking

Highlights

- The context of pressure in margins and excess of liquidity are maintained.
- Better year-on-year performance of lending.
- Good performance of net interest income.
- Net attributable profit impacted by higher provisions.

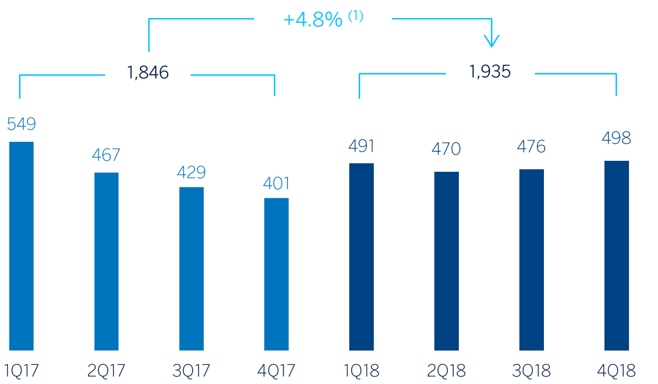
Business activity [(1)]
(Year-on-year change at constant exchange rates. Data as of 31-12-18)



(1) Excluding repos.

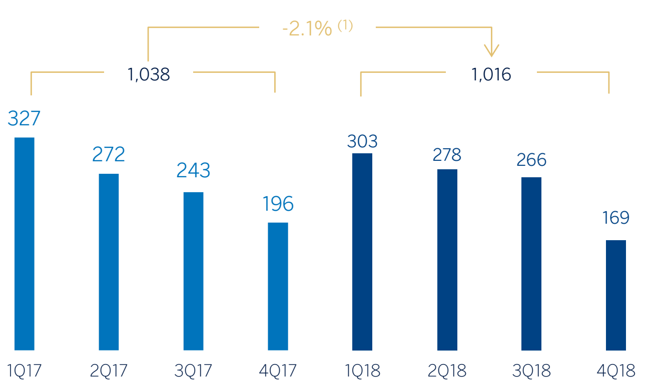
Gross income/ATAs
(Percentage. Constant exchange rates)

Operating income
(Millions of euros at constant exchange rates)



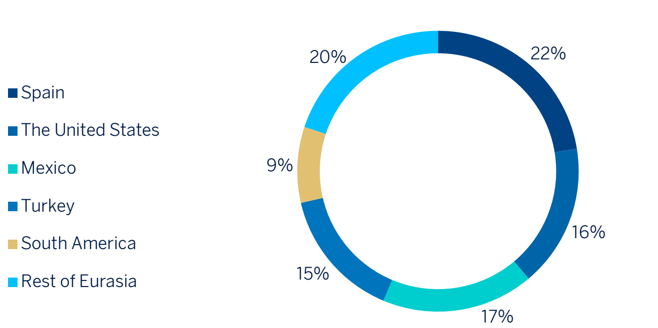
(1) At current exchange rates: -6.1%.

Net attributable profit
(Millions of euros at constant exchange rates)



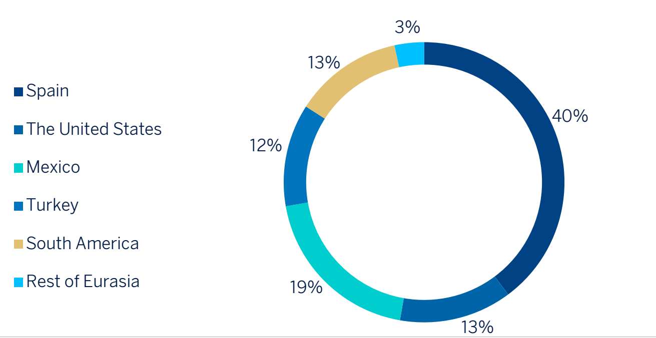
(1) At current exchange rates: -9.8%.

Breakdown of performing loans under management [(1)]
(31-12-18)



(1) Excluding repos.

Breakdown of customer funds under management [(1)]
(31-12-18)



(1) Excluding repos.

Financial market trends

In the fourth quarter of the year, there was a correction of high risk **financial assets**. This time, developed countries, in particular the United States, suffered the majority of the adjustment. At first, the downward movement was initiated by a revaluation of the assets at higher interest rates. However, the fear of deceleration of developed economies ended up accentuating the trend. Doubts concerning the disengagement process between the United Kingdom and the European Union, and trade tensions between China and the United States, along with the clash between the European Commission and the Italian government, also contributed to the increasing caution in financial markets. In this environment, the implied volatility in equity and interest rates returned to high levels, close to those reached in the first quarter of 2018. Investors sought refuge in sovereign bonds, which led to a significant decline in debt yields, both in the United States, where they remained at January 2018 levels, as well as in Germany, where they retreated to October 2016 levels.

The central banks continued with their processes of normalization of **monetary policies**. The Fed raised its benchmark interest rate for the fourth time in the year, to 2.25-2.50%, in December, and maintained the strategy of balance sheet reduction. The ECB, in turn, kept interest rates unchanged, but confirmed the end of the financial assets purchase program in December 2018; however, it will continue to be present in the market through the program for the reinvestment of the principal maturities of its asset portfolio. The economic slowdown and uncertainty caused by Brexit weighed on the euro, which ended the quarter slightly depreciated. The Turkish lira reversed part of the depreciation suffered in the third quarter of 2018. Conversely, the volatility of the Mexican peso remained.

Activity

All the comments below regarding **rates of change**, for both activity and earnings, will be given at constant exchange rate, unless expressly stated otherwise. These rates, together with changes at the current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity in 2018 were:

- The market conditions remain unchanged, with margins squeezed and excess liquidity. **Lending** (performing loans under management) grew by 8.3% during the year.
- Positive trend in customer **funds** which stood in line with the previous quarter (+0.1%), although the year-on-year comparison is negative (-7.0%).

Financial statements and relevant business indicators
(Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ%	Δ% (1)	IAS 39 2017
Net interest income	**1,441**	**5.0**	**16.2**	**1,372**
Net fees and commissions	692	(10.5)	(2.3)	774
Net trading income	849	(2.5)	6.4	871
Other operating income and expenses	(40)	n.s.	n.s.	112
Gross income	**2,941**	**(6.0)**	**2.9**	**3,128**
Operating expenses	(1,007)	(5.8)	(0.7)	(1,068)
Personnel expenses	(450)	(11.3)	(7.9)	(508)
Other administrative expenses	(448)	(1.2)	6.9	(453)
Depreciation	(109)	1.1	2.6	(108)
Operating income	**1,935**	**(6.1)**	**4.8**	**2,060**
Impairment on financial assets not measured at fair value through profit or loss	(340)	131.6	175.0	(147)
Provisions or reversal of provisions and other results	(36)	(14.7)	(12.2)	(42)
Profit/(loss) before tax	**1,558**	**(16.7)**	**(7.3)**	**1,871**
Income tax	(362)	(25.9)	(17.7)	(489)
Profit/(loss) for the year	**1,196**	**(13.5)**	**(3.6)**	**1,382**
Non-controlling interests	(180)	(29.4)	(11.0)	(255)
Net attributable profit	**1,016**	**(9.8)**	**(2.1)**	**1,127**

Balance sheets	IFRS 9 31-12-18	Δ%	Δ% (1)	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	5,084	21.0	15.1	4,200
Financial assets designated at fair value	92,394	26.8	26.4	72,878
of which loans and advances	28,870	n.s.	n.s.	648
Financial assets at amortized cost	65,120	(30.7)	(28.9)	93,948
of which loans and advances to customers	58,718	(13.0)	(10.4)	67,529
Inter-area positions	-	-	-	-
Tangible assets	29	(17.3)	(14.0)	35
Other assets	2,119	(9.5)	(7.3)	2,342
Total assets/liabilities and equity	**164,747**	**(5.0)**	**(3.9)**	**173,403**
Financial liabilities held for trading and designated at fair value through profit or loss	81,312	65.7	65.9	49,060
Deposits from central banks and credit institutions	14,805	(67.4)	(67.7)	45,427
Deposits from customers	40,026	(18.0)	(15.9)	48,792
Debt certificates	1,117	113.7	112.9	523
Inter-area positions	20,155	(7.1)	(2.3)	21,687
Other liabilities	3,915	0.2	(0.5)	3,908
Economic capital allocated	3,416	(14.7)	(12.8)	4,007

Relevant business indicators	IFRS 9 31-12-18	Δ%	Δ% (1)	IAS 39 31-12-17
Performing loans and advances to customers under management (2)	58,783	4.4	8.3	56,315
Customer deposits under management (2)	40,007	(9.3)	(6.7)	44,095
Off-balance sheet funds (3)	993	(26.9)	(15.4)	1,357
Efficiency ratio (%)	34.2			34.1

(1) Figures at constant exchange rates.

(2) Excluding repos.

(3) Includes mutual funds, pension funds and other off-balance-sheet funds.

- In the **mergers & acquisitions (M&A)** business, activity in the Spanish market in 2018 has been positive showing a growth in the number of operations, driven by the rebound of foreign investors. The High liquidity levels, the attractive financing conditions and the economic growth situation in Spain are expected to continue to stimulate the market during 2019.

- In the **Equity Capital Markets** Unit (ECM), the last quarter of the year has been marked by high levels of volatility that have made it more difficult to complete the operations expected in the primary market. The market for IPOs has suffered especially throughout Europe during 2018, the Spanish market is not an exception to this trend, since significant operations have been canceled or postponed in the last part of the year. Despite the deterioration in the market environment, BBVA has been one of the most active banks measured by the number of primary transactions in the primary Spanish equity market, excluding ABBs and convertibles.

- In 2018, BBVA has consolidated its leadership in the sustainable loans, while at the same time it has continued betting on innovation, setting new milestones, particularly with the application of blockchain technology to corporate loans, also using its own platform.

- In the market of the **sustainable loans**, BBVA has been the most active bank globally leading 17 transactions (of the 23 investees) not only in Spain, but also in Mexico, Italy, the United States, Turkey and Peru, highlighting the globalization of this market in strong growth.

- In terms of **innovative solutions** for its customers, BBVA has been the first entity to apply blockchain technology to the field of corporate financing with 4 formalized operations.

Results

CIB registered a net attributable profit of €1,016m in 2018, a 2.1% less than in 2017. The highlights of the year-on-year changes in the income statement in this aggregate are summarized below:

- Positive performance of **net interest income** (+16.2% year-on-year), specially in the second half of the year, driven by good performance in the United States, South America and Turkey.

- **Net fees and commissions** showed a decrease, due to lower activity volume in Corporate Finance.

- Rise in **NTI** (up 6.4%), that, nevertheless does not offset the lower contribution from other operating income and expenses.

- As a result of the above, the **gross income** registered an increase of 2.9%, year-on-year.

- **Operating expenses** closed in line with 2017 (-0.7%), thanks to an adequate management of discretionary costs, which offsets those affected by inflation on emerging economies and by investment in technology.

- Finally, **impairment losses on financial assets** increased (+175,0%), mainly as a result of higher provision needs, especially in Turkey.

Customer relationship

Customer experience

Customer care

Solutions for customers

Customer relationship

Customer experience

One of the Group's Strategic Priorities is a **new standard in customer experience**, that is, to ensure that the customer experience is distinguished by its simplicity, transparency, and swiftness, to further the customers empowerment and to offer them personalized advice. In 2018, BBVA's value proposition with its clients evolved with focus on several value streams: Open Market, DIY – Do it yourself, Physical & Human touchpoints, Advice and Smart Interactions, for both retail and company projects. In this sense, the solutions were more aligned with the needs of the customers, which had a direct effect on the customer experience. In parallel, BBVA also wants to be prepared to face possible disruptive trends that can change the current paradigm, which is why we also work on projects that may have an impact over a time horizon.

Through new ways of doing things and organizing (working in agile and applying a new operating model) the development of solutions is prioritized, a greater alignment and coordination at the Group level is created and the development of **global solutions** is motivated. All this contributes to offer better solutions in less time for customers while improving internal efficiency. In addition, BBVA works with an open banking mentality, which means working with third parties to offer customers the best solutions available in the market and also to be able to offer these solutions to the clients of these third parties.

Over the 2018, BBVA continued to build global products and capabilities. One example of this is **GloMo** (GLobal Mobile), a mobile banking platform developed globally by BBVA that is already available in Mexico and Uruguay, and is expected to be launched in Peru in 2019. This new BBVA application is the first one that has been built on a global development platform, which provides efficiency and optimizes resources, allowing for the reuse of components. This type of development allows for service modularity, making it possible to unify the customer experience in all countries with a unique design, but with a navigation logic adapted to the needs of the client in each country.

Net Promoter Score

In 2018, BBVA consolidated the quality and customer experience model that was launched in the previous year, year, placing the customer at the center of decisions, with a very clear and ambitious goal: to offer a differential service, regardless of the channel of communication they choose and to allow to be leaders in customer satisfaction in all the geographical areas in which it operates.

The internationally recognized **Net Promoter Score** (NPS or Net Recommendation Index – (IReNe, for its acronym is Spanish)) methodology calculates the level of recommendation, and hence, the level of satisfaction of BBVA customers with its different products, channels and services. This index is based on a survey that measures on a scale of 0 to 10 whether a bank's customers are positive (score of 9 or 10), neutral (score of 7 or 8) or negative (score of 0 to 6) when asked if they would recommend their bank, a specific product or a channel to a friend or family member. This is vital information for identifying their needs and drawing up improvement plans, on multidisciplinary teams work to create unique and personal experiences.

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

In **2018**, BBVA ranked first in the NPS indicator in six countries: Spain, Mexico, Turkey, Peru, Uruguay and Paraguay and second in Colombia.

TCR Communication

The Transparent, Clear and Responsible (TCR) Communication project promotes transparent, clear and responsible relations between BBVA and its customers.

- T is for transparency: providing customers with all relevant information at the right time, maintaining a balance between benefits and costs.

- C is for clarity, meaning easy to understand. It is achieved by the Group through language, structure and design.
- R is for responsibility, and means looking after the customers' interests in the short, medium and long term.

The **objectives** are to help customers make informed decisions, improve customer relations with the Bank, look out for their interests and make BBVA the most transparent and clearest bank in all the markets where it operates. It also means BBVA can attract new customers and encourage existing customers to recommend it.

In 2018, the project had **three lines of work**:

- Implement the TCR principles as they pertain to new digital solutions, with the participation of TCR experts in the global design of the BBVA mobile application, whose development, adaptation and implementation was made for Mexico and Peru, and collaboration in the development of the new Public Web in Mexico, Colombia and Peru. Work continues on a large number of global digital projects, both for mobile and for the web.
- Incorporate the TCR principles in the key content intended for customers, with the performance of maintenance works of TCR materials (files deliverable to customers, contracts, sales scripts, and claim letter responses) and the objective of continuing with all applicable updates, putting focus on improving the customer experience.
- Spread TCR principles throughout the Group, by means of training provided in workshops directed principally to digital project teams in Spain, Mexico, Argentina, Colombia and Peru. In addition, two new editions of the Clear Language in BBVA program were launched, which earned a satisfaction rating of 4.8 out of 5; the online course TCR Apply was created to help apply these principles on a day-to-day basis; and the TCR training was extended to the legal departments in Spain, Argentina, Colombia.

The project is **coordinated** by a global team working together with a network of local TCR owners located in the main countries in which the Group has a presence, and various Bank areas and individuals participate in its implementation.

TCR Indicators

BBVA uses an indicator, the Net TCR Score (NTCRS), which allows us to measure the degree to which customers perceive BBVA as a transparent and clear bank compared to its peers in the main localities.

Customer care

Complaints and claims

BBVA has an appropriate claims management and service **model** that positively transforms the customer experience. In this way, every interaction that the Group has with its customers is an opportunity to improve this model, thus ensuring that the business is customer-centric and transforming these interactions into positive experiences. This is important because one of the key moments determining customer experience is considered to be when a customer communicates dissatisfaction with a product or service, that is, when complaints and claims are received.

Following the path of **digital transformation**, any type of opinion that the customer provides by any means (NPS, digital feedback, complaints, claims, etc.) is examined, with the objective of learning more about their opinions and of having the opportunity to help them resolve any problem by offering simple, clear, agile and personalized responses.

Main indicators of claims (BBVA Group)

	2018	2017
Number of claims before the banking authority (for each 10,000 active customers)	9.40	10.02
Average time for settling claims (normal days)	7	7
Claims settled by First Contact Resolution (FCR) (% over total claims)	26	31

The various Group **claims units** are constantly evolving, optimizing processes and improving the management and care model, as a key aspect of differentiation in an increasingly competitive environment, thus reinforcing the objective of offering a unique experience to customers and the fulfillment of BBVA's aspiration: to strengthen the relationship with its customers.

These claims units focus their efforts on:

- reviewing and constantly monitoring claim metrics trends and the causes that generate these claims;
- implementing action plans focused on solving the root causes that generate these claims; and
- improving the execution of processes through their optimization or automation, finding a suitable balance of efficiency and improvement in the customer experience.

All of the registered and available information regarding claims in the Group is reviewed periodically through a global online **site**, with customized queries generated depending on the indicator or variable that is to be analyzed. The Group's senior management has a direct involvement in the follow-up of customer claims and complaints.

In short, BBVA's claim management is an opportunity to offer greater value to customers and strengthen their loyalty to the Group, to achieve its **aspiration** to strengthen the relationship with its customers. In this respect, BBVA aims to promote greater agility and simplicity in the management of complaints and claims, through the implementation of optimal processes in this management, with the focus on the elimination of the main causes that generate the claims and with resolution of alternatives upon first contact.

As a result of the improvements implemented in the claims management process in BBVA, these registered a significant decrease in **2018** (-39.0% with respect to the figure of the previous year), basically in Spain and Mexico. This last country, with the biggest active customer base of the Group, is also the country with the biggest number of claims.

Number of claims before the banking authority by country (Number for each 10.000 active customers) [(1)]

	2018	2017
Spain	3.54	4.87
The United States	4.56	4.96
Mexico	17.94	16.12
Turkey	4.03	3.21
Argentina	1.11	2.68
Chile	-	5.55
Colombia	21.56	21.65
Peru	1.19	2.21
Venezuela	0.47	1.04
Paraguay	1.19	0.79
Uruguay	0.68	0.41
Portugal	21.92	34.84

Scope: BBVA Group.

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

The **average time for resolving** claims in the Group is maintained in 7 days, improving in Spain (10 days compared to 25 the previous year) and in Peru.

Average time for settling claims by countries (Normal days)

	2018	2017
Spain	10	25
The United States	4	3
Mexico	5	4
Turkey	2	2
Argentina	7	7
Chile	-	5
Colombia	5	4
Peru	9	12
Venezuela	13	13
Paraguay	6	6
Uruguay	7	8
Portugal	4	5

The claims settled by the First Contact Resolution (FCR) model account for 26% of total claims, thanks to the management and handling of these claims aims to reduce resolution times and increase the service quality, thus improving the customer experience.

Claims settled by First Contact Resolution (FCR. Percentage over total claims)

	2018	2017
Spain [1]	n.a.	n.a.
The United States	54	63
Mexico	30	38
Turkey [2]	38	44
Argentina	21	27
Chile	-	6
Colombia	69	73
Peru	8	4
Venezuela	0	1
Paraguay	39	28
Uruguay	14	12
Portugal [3]	n.a.	n.a.

n.a. = not applicable.

(1) In Spain, is applicable a FCR type called IRR (Immediate resolution response) to credit card incidents, but not claims.

(2) In Turkey, the weighting is calculated by the total number of customers.

(3) This kind of management does not apply in Portugal.

Customer Care Service and Customer Ombudsman

In 2018, the **activities** of the Customer Care Service and Customer Ombudsman were carried out in accordance with the stipulations of article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of Economy, regarding customer care and consumer ombudsman departments at financial institutions, and in line with BBVA Group's Regulation for Customer Protection in Spain, approved in 2015 by the Bank's Board of Directors, with regard to regulation of the activities and powers of the Customer Care Service and Customer Ombudsman.

In accordance with the aforementioned regulation, the Customer Ombudsman has been made aware of and resolved, in the first instance, all **complaints and claims** submitted by the participants and beneficiaries of the pension plans, as well as those related to insurance and other financial products that BBVA Group Customer Care Service considered appropriate to escalate, based on the amount or particular complexity, as established under article 4 of the Regulation for Customer Protection.

Likewise, the Customer Ombudsman has been made aware of and resolved, in the second instance, all complaints and claims that customers opted to submit for their consideration after having obtained a dismissal resolution from the Customer Care Service.

Activity report on the Customer Care Service in Spain

The activity of the Customer Care Service takes place within the scope of the O.M ECO / 734 and in compliance with the competences and procedures established in the Regulation for the Defense of Customers in Spain of the BBVA Group. As stipulated in the Regulations, the Customer Care Service is entrusted with the task of dealing with and resolving the complaints received from customers in relation to the products and services marketed and contracted in Spanish territory by the entities of the BBVA Group.

The Customer Care Service in compliance with the European guidelines on claims established by the competent authorities ESMA (European Securities Market Authority) and EBA (European Banking Authority), works to detect the recurrent, systemic or potential problems of the Entity.

Like previous years, 2018 has been characterized by a complex environment. The main types of claims have been related to mortgage loans.

The Customer Care Service (SAC) continued the **training plan** that was launched in 2017 for the whole team. This plan has addressed, among other issues, regulations on transparency and protection of customers, as well as obligations arising from contracts for products and services. The objective of the plan is to guarantee adequate knowledge for managers in order to facilitate the continuous improvement in the claims management and the identification of the root causes thereof.

Claims of customers admitted to BBVA's Customer Care Service in Spain amounted to 84,533 cases in 2018, 51% less than in 2017, of which 81,626 were resolved by the Customer Care Service and concluded in the same year, which represents 97% of the total. 2,907 claims remained pending analysis. On the other hand, 42,688 claims were not admitted for processing as they did not meet the requirements set out in OM ECO/734. Nearly 40% of the claims received corresponded to mortgage loans, mainly mortgage arrangement expenses.

Complaints handled by Customer Care Service by complaint type (Percentage)

Type	2018	2017
Resources	29	9
Assets products/loans	39	79
Insurances	3	1
Collection and payment services	5	2
Financial counselling and quality service	4	2
Credit cards	13	4
Securities and equity portfolios	1	1
Other	6	2
Total	**100**	**100**

Complaints handled by Customer Care Service according to resolution (Number)

	2018	2017
In favor of the person submitting the complaint	25,970	29,041
Partially in favor of the person submitting the complaint	18,563	90,047
In favor of the BBVA Group	37,093	52,058
Total	**81,626**	**171,146**

Activity report of the BBVA Group´s customer ombudsman in Spain

In 2018, the Customer Ombudsman, along with the BBVA Group, has maintained the objective of unifying criteria and fostering the protection and security of customers, making progress in compliance with transparency and customer protection regulations. In 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 Manager, 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 Group Services that contribute to positioning the Group in relation to its customers. The Directors of Quality, Legal Services and the Customer Care Service attend this committee. Likewise, the Customer Ombudsman participates in the Transparency and Good Practices Committee, in which the Bank's actions are analyzed, in order to adapt them to the regulations on transparency and good banking practices and standards.

Customer **claims** managed in the Customer Ombudsman's Office for a decision during the year 2018 have amounted to 3,020 cases. Of these, 114 have not been finally admitted for processing as they did not meet the requirements of Ministerial Order (OM) ECO/734/2004, and 133 remained as pending as of 31-12-18.

Complaints handled by the Customer Ombudsman office by complaint type (Number)

Type	2018	2017
Insurance and welfare product	753	600
Assets operations	709	367
Investment services	146	133
Liabilities operations	753	257
Other banking products (credit card, ATMs, etc.)	437	140
Collection and payment services	106	69
Other	116	95
Total	**3,020**	**1,661**

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

Complaints handled by Customer Ombudsman office according to resolution (Number)

	2018	2017
In favor of the person submitting the complaint	-	-
Partially in favor of the person submitting the complaint	1,482	797
In favor of the BBVA Group	1,290	622
Processing suspended	1	8
Total	**2,773**	**1,427**

51.3% of customers who brought claims before the Customer Ombudsman during the course of the year obtained some type of satisfaction, total or partial, by resolution of the Customer Ombudsman in 2018. Customers unsatisfied by the Customer Ombudsman's response may appear before the official **supervisory bodies** (Bank of Spain, CNMV and General Directorate of Insurance and Pension Funds). The number of claims submitted by customers to supervisory bodies was 260 in 2018.

In 2018, the BBVA Group continued to make progress in the implementation of the different recommendations and suggestions of the Customer Ombudsman with regard to adapting products to the customer profiles and the need for transparent, clear and responsible information. All recommendations and suggestions of the Customer Ombudsman focus on raising the level of **transparency and clarity** of the information that BBVA 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 and the increasing complexity thereof, a degree of special sensitivity is required with certain groups that, due to their profile, age or personal situation, present a certain degree of vulnerability.

Operational risk management and customer protection

The **security measures** at BBVA continued to be reinforced in 2018 through its monitoring and cyberprotection capabilities, for both employees and customers. In this respect, and alongside the strategy of using data as the main point of relationship with customers, analytical **capabilities** were developed that allow for the new threats associated with cybersecurity through data, and to combat them from a preventive viewpoint. Furthermore, a new program was created focusing on providing suitable protection of the Group's information, which is considered one of the main assets and which also allows it to adapt to any new regulations that may arise within the industry.

During the year 2018, a series of process services and security services in the field of Engineering has been introduced and improved. All this has been a direct result of the teamwork of the different technical areas that collaborated in improving the user experience and security. It is worth mentioning the improvement of the process of digital onboarding in Spain, introduced in the financial market in a pioneering manner in 2016; the improvement in the time required to become a customer through new validation techniques that guarantee customer identity; and the set-up of our own in-house developments allowing facial biometric payment, already underway with employees and planned for implementation with customers.

Various initiatives have been taken in 2018 in the area of **business continuity**, i.e., for incidents with low probability of occurrence but very high impact, mainly with regard to the enhancement of the Continuity Plan management tools. To be specific, the business impact analysis was updated, and the technological dependences on which the critical processes are based were reviewed, informing the corresponding continuity committees of their results so that, when applicable, they are aware of them and are able to improve their responses in case of unavailability due to information system failures.

Over the course of the year, various business continuity strategies were activated within the Group, including those related to torrential rains and hurricanes in the United States, and others pertaining to one-time social conflict events, problems with electrical/water supplies, and the extraordinary monitoring of the process of monetary reconversion in Venezuela.

With regard to **personal data protection**, the project for the implementation of the General Data Protection Regulation (GDPR) was finalized in the Group companies and branches in 2018. It is a continuous and living process, which means that each new product or service must comply with privacy requirements from its design, requiring a firm commitment to ensure respect for the fundamental right to the personal data protection. In addition, the protection of personal data is being strengthened in other areas with regard to suppliers and employees, where new protocols have been adopted in accordance with aforementioned regulation.

In addition, BBVA carried out a communication process with its customers on the new requirements imposed by the GDPR and the new range of rights that the data holders hold. For that, different communication channels were used: branches, postal mail, ATM and digital channels.

Educational and awareness-raising actions were carried out in this regard, in the area of employee training, planned for all those who form part of the Group, by areas and departments, and which culminate in the incorporation of a specific course on data protection in the corporate training catalog.

The position of the data protection delegate as a guarantor of the respect of the fundamental right to the personal data protection was reinforced and strengthened in 2018. Its team has progressively equipped itself with the resources and tools necessary to undertake all tasks entrusted to it in accordance with regulations, in order to guarantee the fulfillment of its duties and functions.

Finally, work is being carried out on the internal adaptation required by the new Organic Law for the Personal Data Protection.

Solutions for customers

At BBVA, we involve customers in the process of designing and developing new products and services, when launching **new solutions**. To do so, we have a team of design researchers who get to know customers and the problems they face in regard to the services provided, and in this way, to provide them solutions.

We can therefore design customer-focused services and meet our motto of the Customer comes first; we meet their needs by **talking** to them. To this end, during the period 2017–2018, we carried out 93 studies in 8 different countries, including interviews with more than 1500 individual customers, 1300 business customers and 241 contacts with managers. This data demonstrates our ability to listen and understand people, and define ourselves as a company that creates customer-focused designs. It is essential to understand both the functional and emotional problems of users so we can provide a solution. This means that you have to study the problem; talk to people, customers, prospective customers and employees; and once everyone (stakeholders and designers included) understand the problem, you can design the solution.

In addition, our goal is to be a bank that makes all its decisions based on **data**. In this regard, we are undertaking a process of information democratization, in such a way that decisions at all levels of the Bank are increasingly based on evidence derived from available data and from our customers' deep insights. With this knowledge, we build smart interactions, adapting and customizing **experiences** to help customers achieve their goals and reduce their financial worries.

Furthermore, data plays a very prominent role in the products themselves, which, through the use of machine learning techniques and artificial intelligence, we're able to provide the **capacity** to adapt and learn from the different situations that arise. The data and analytics are present from the idea phase to the development, measurement and feedback stages for the products we develop, and are a fundamental pillar upon which we base our **value proposition** and our development into a digital company.

Solutions launched in 2018

As already mentioned in the Customer Experience section, during 2018, BBVA continued developing global products and capacities, such as GloMo (Global Mobile).

Along these lines, BBVA has continued to develop **global solutions** within the various geographical areas in which the Group operates, such as **Automik**, a 100% digital car financing experience in Spain and Mexico, or **Global Home Experience**, an end-to-end solution that supports customers in looking for and purchasing a home, and subsequent services In Mexico, functionality to search by map or with a specific address is now available.

In companies and corporations, progress has continued in **Digital Workplace**, a unique tool for managers to establish smart interactions with customers based on a comprehensive view of their customers and full traceability of customers' dealings with BBVA. The tool is already available in Spain, Mexico and Peru. As an outcome of this development, over the last year, we've increased the number of leads by over 25% and, given the degree of reuse of technical components, we've made efficiencies of over 70%. In addition, to ensure the best customer experience, we are using **Salesforce** cloud computing services to expedite the process of resolving incidents and claims from our customers.

In 2018, we also launched a comprehensive **corporate cards** solution that allows enterprises in the Corporate & Investment Banking, Business and SME sectors at the local, regional or global levels to homogeneously manage purchases made by their employees with BBVA Corporate and Business cards, automating compatibility of the cards with the main market solutions. The solution is now available in Spain, Portugal, Mexico, Argentina, Colombia, Paraguay and Uruguay. In the coming months, the solution will be rolled out in Turkey, the United States and Peru.

Lastly, we strengthened our capabilities to provide customers with global solutions, thereby increasing the capacity of the **global payments hub** to process ever more transactions. Both the number of customers and volumes processed have increased by more than 20% each year since 2016. As well we have continued to promote emerging technologies, such as the new **distributed ledger technology (DLT)**, thanks to which a syndicated loan was made in record time, with transactional benefits for customers and efficiency improvements.

By business area, these are some of the new initiatives and customer-centric solutions launched in 2018, as well developments of other solutions that were launched in 2016 and 2017:

Spain

- **OneView**, the first financial aggregator for businesses that allows customers to control their accounts across all financial institutions from a single dashboard. A financial aggregator is also available for private customers, using the same app and the BBVA website, where customers can add products from other financial institutions (accounts, cards, loans, funds, pension plans and deposits from other banks).

- **Avalbox**, BBVA's new digital tool for companies that allows them to request, submit and view endorsements online, something that until now could only have been done face-to-face and on paper.

- **BBVA Invest**, an advisory and mutual fund trading platform for private customers, which is available on an app, online and in the branch network.

The solutions launched in 2017 have developed positively: one out of every three digital customers uses **Bconomy** on a monthly basis to track their financial health based on the performance of their income and expenditure (more than 40% of mobile customers); and 56,000 SMEs use **Click&Pay** again and again, with an annual growth of 44%. Of the total number of withdrawals, more than 80% are already digital.

Mexico

- The **S.O.S Seguros Bancomer (S.O.S. Bancomer insurance)** app, a new feature that allows customers to take out a car insurance policy through the mobile banking app in less than three minutes.

- Integration of the **AI Chatbot** smart assistant with a messaging app like WhatsApp. This chatbot helps our customers in their daily servicing operations.

- **Link Card**, an account designed for under 18s with features such as BBVA Send, through which parents can easily send money to their children.

The solutions launched in 2017 have shown good progress. Since its launch, financial **CheckUp** received 7 million queries. We are working on integrating it into GloMo with tips and explanations from Why Health that advise customers on how to improve their financial health. And we approved 650 mortgages through Hipoteca Digital (*digital mortgage*), a product for both customers and non-customers that allows them to check whether they are eligible for a mortgage and estimate their repayment capacity using a simulator, thereby being able to obtain an approved loan that is ready to be formalized.

The United States

- **Botón Verde Único (single green button)**, a new faster and easier way to open a new account through the app. This dashboard shows the products available in a single repository so that customers can easily navigate through them.

- Net Cash has been implemented, which includes the introduction of the Real Time ARP and Positive Pay products, which enables real-time fraud monitoring and prevention in a DIY environment; and a mobile app for business customers has been rolled out.

- **Reward cards**, revolving credit cards for the mass market with which customers can earn rewards at 1.5% on purchases and the possibility of additional bonuses.

Turkey

- **Money transfers through QR codes**, which simplifies money transfers by integrating QR codes into mobile banking.

- **Online mortgage requests** via online and mobile channels, which allow customers to complete the preliminary assessment phase of the home loan process and have the result of the home loan application shared instantly with the customer.

South America

- In **Argentina**, development of a new feature that allows business customers to negotiate checks in BBVA Francés Net Cash and BBVA Francés Net Cash Mobile from anywhere, redeeming all of 100% of them and receiving money in their account the same day through a fully digital process.

  BBVA Referidos Nóminas (salary referrals) was launched in 2017, a tool that evaluates referrals and generates a commercial offer and a communication thereof. By the end of 2018, it amassed more than 7,000 referrals with more than 5,000 credit offers made, and with an approval rate of over 60%.

- In **Colombia**, we launched the option of getting a pre-approved consumer loan 100% digitally with an online simulation, and the option of being able to refinance loans.

  Since 2016, thanks to BBVA Wallet, transactions have increased by 30%, with more than one million downloads and more than 500,000 users. The Theft at ATMs insurance, launched in 2017, had an average of more than 300,000 activations.

- In **Peru**, there was development in credit card sales via the digital channel. A customer or non-customer can be assessed online and be issued with a credit card (with delivery to the branch of their choice) from the website or mobile app 100% digitally. And we launched Lukita to transfer and receive money more easily and quickly from the Mobile Banking App via a cell phone.

- In **Venezuela**, channels were stabilized through actions that would maintain and ensure services on digital channels. A new P2C functionality was launched with the Dinero Rápido (fast money) mobile application that allows customers to send immediate payments from their cell phone not only to individuals, but to retailers that are affiliated with the interbank mobile payment service.
- In **Paraguay**, we launched a new mobile banking app with an entirely updated design, improved digital services and transactions, digital analytics, and optimizations in the flow of sales of digital products.
- In **Uruguay**, non-customers are able to open a digital account by starting with entering data on the public website and then completing the process in a branch.

People management

Professional development

Working environment

Remuneration

Volunteer work

People management

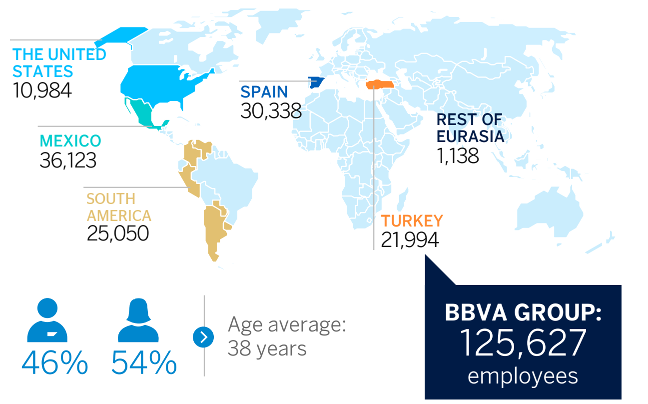
BBVA's most important asset is its team, the people who make up the Group. For this reason, one of the six Strategic Priorities is having a first-class workforce. In this context, BBVA accompanies its transformation strategy with different initiatives in questions involving employees, such as:

- Development of a more transversal, transparent and effective **model of people management**, in such a way that each employee can occupy the most appropriate role for their profile in order to bring the greatest value to the Organization, with the greatest commitment; and, in turn, learn and grow professionally.
- Evolution in the **forms of working** towards an agile organizational model, in which teams are directly responsible for what they do, building everything from customer feedback and which are focused on the delivery of solutions that best meet current and future needs of the clients.
- Promoting a corporate culture of collaboration and entrepreneurship, which revolves around a set of values and behaviors that are shared by the individuals of the Group and which generate identity traits that differentiate it from other entities (see **Our Values** in the corresponding section of the Strategy and business model chapter).
- Incorporation of talent in a range of **capacities** not usually found in the financial sector, but which are key in the new stage in which the Group finds itself (data specialists, customer experience, etc.).

All this has enabled to become a purpose-driven company, that is, a company where staff guide their actions according to the Values, and are genuinely inspired and motivated by the same Purpose.

As of December 31, **2018**, the BBVA Group had 125,627 employees located in more than 30 countries, 54% of whom were women and 46% men. The average age of the staff was 37.6 years. The average length of service in the Organization was 10.3 years, with a turnover of 7.6% in the year.

BBVA Group (December 2018)



In 2018, the number of Group employees decreased (-6,229) due, to a large extent, to perimeter variations such as the sale of BBVA Chile (-4,005), completed in the third quarter of the year.

Professional development

The new **people management** model was consolidated and rolled out in 2018, a process that culminated with the global launch of a new people assessment system. All Group employees were invited to participate in this system in a 360º review, while the group of around 1,400 people who work for projects did so through a model specially designed for them. The calibrated assessments resulting from this process are the basis for building the BBVA talent map, on which the segmentation of the workforce rests, as well as the differentiated management policies.

The combination of the above with the identification and assessment of the existing roles in the 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.

Recruitment and development

In 2018, 18,656 professionals joined the Group, with one of the focuses being the attraction, recruitment and incorporation of **new capacities** profiles needed by BBVA in its transformation process.

In this manner, in order to be a data-driven organization, in 2018 the first edition of the Young Data Professionals global program was launched. Through this program, 35 recent graduates from universities in Spain, Argentina or Colombia participated in **real projects** with empowered and multidisciplinary teams, receiving first-level training, both in their specialty as well as in transversal competencies, accompanied at all times by mentors to aid in their development.

As a result of the initiatives involving brand positioning and promotion of the professional **opportunities** available at BBVA through various channels, 204,148 candidates were attracted. In 2018, BBVA eliminated gender and age as differential fields of the candidates, to avoid discrimination in the selection for both reasons, so the distribution by gender and age of the external candidates cannot be facilitated.

For its part, BBVA reinforced its **internal mobility** model throughout the year, placing the employee at the center of the process as the protagonist of their own career. In this sense, a new in-house portal was set-up in the Group, where all employees can learn about the opportunities available in the different locations, register for those that they are interested in, and see their progress in the different recruitment processes in which they participate. New policies based on transparency, trust and flexibility are thus brought into existence.

Training

BBVA's training priority in 2018 was to develop a **continuous learning** culture, necessary to drive the Group's transformation strategy. The people management model positions the employee as the true protagonist of their own development, and for this, the necessary knowledge for the performance of their functions is made available to all employees, with quick access to the training catalog. During 2018, existing training resources were incorporated into the market from platforms, suppliers and speakers of recognized prestige, which made it possible to offer a global catalog of training which included more than 9,000 training actions.

The training contents of **2018** focused on training involving the Group's core values, on regulatory requirements, on the necessary competencies linked to the people management model and, in particular, on the new required capacities: Agile, Design Thinking, Data or Behavioral Economics, among others. This training allowed BBVA to have more than 1,000 Design Ambassadors, more than 50 Agile Coaches and 250 Data Scientists.

The legal requirements of the MiFID II Directive (Markets in Financial Instruments Directive) was another priority focus of training through the different programs designed, and which guarantee the knowledge that employees who distribute information or advise on financial products and services to clients at the European level must possess. In 2018, 14,021 professionals were officially certified in Spain, in the different forms of the European Financial Planner Advisor (DAF/EIP, EFA and EFP).

Regarding training channels, online remains the priority channel and represents 71% of the total training provided in the Group. The main new development in online training in 2018 was the B-Token launch within the Group, a new model that allows access to training through a system of tokens that puts employees in charge of their own development, as they are the ones who choose which training to undertake, as well as how and when to undertake it.

Basic training data (BBVA Group)

	2018	2017
Total investment in training (millions of euros)	49.5	52.2
Investment in training per employee (euros) [(1)]	394	396
Hours of training per employee [(2)]	47.3	38.9
Employees who received training (%)	88	84
Satisfaction with the training (rating out of 10)	9.3	8.6
Amounts received from FORCEM for training in Spain (millions of euros)	3.3	3.1

[(1)] Ratio calculated considering the Group's workforce at the end of each year.

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

Training data by professional category and gender (BBVA Group. 2018. Number)

	Employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [(1)]	2,501	1,773	728	118,099	80,542	37,557
Middle men	6,599	3,947	2,652	265,789	160,147	105,643
Specialists	26,831	13,231	13,600	1,102,703	570,189	532,514
Sales force	35,794	16,665	19,129	2,198,559	1,020,344	1,178,215
Base positions	37,004	14,069	22,935	1,462,670	544,211	918,458
Total	**108,729**	**49,685**	**59,044**	**5,147,820**	**2,375,433**	**2,772,387**

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

Diversity and inclusion

BBVA considers diversity in its workforce to be one of the key elements it uses to attract and retain the best talent and offer the best possible service to its customers. It is proven that teams made up of people with different ways of thinking, dealing with problems, and making decisions obtain better results.

In terms of gender **diversity**, women make up 53.9% of the Group's workforce. Women hold 48% of management positions, 30.3% of technology and engineering positions, and 58.1% of business and profit generation positions.

In 2018, initiatives were launched to **break down barriers** that prevent greater diversity, with a focus placed on facilitating access to positions of responsibility for women. The most important initiatives put in place are:

- Implementation of the Rooney Rule, which requires that 50% of all candidates for management positions be women.

- Training in unconscious biases: various programs, both physical and online, so that team supervisors at BBVA become more aware of their unconscious biases, which mainly harm women and minorities, and learn to neutralize them.

- Improvement in the way in which job offers are drafted so as to make them more attractive for women and minorities.

- Coaching programs for women with high potential to help them assume positions of maximum responsibility and, in turn, for them to support other women in their careers.

BBVA's effort in favor of diversity has led to it being included in the Bloomberg Gender Equality Index, a ranking that includes the 100 best global companies in gender diversity, and in the Equileap Global Report on Gender Equality, which selects the 200 best global companies in terms of gender equality. BBVA is also a signatory of the Diversity Charter at European level and of the United Nations Women's Empowerment Principles.

In **Spain**, in 2018, BBVA renewed its Company Equality Seal granted by the Ministry of the Presidency, Parliamentary Relations and Equality to companies that are a model for good practices in this area. Likewise, the Equal Treatment and Opportunities Plan signed with the workers' representation allowed for progress in women's access to positions of greater responsibility in the Organization.

In addition, BBVA Spain won the good practices contest for companies in the network. This contest was created by the same Ministry to analyze indicators and evaluation tools, both through the semi-annual monitoring of metrics undertaken by the Equal Treatment and Opportunities Commission and with the participation of the Trade Union Representation, and through the creation of the Diversity Dashboard. This board gives visibility to the metrics by gender, age, training, country of origin, etc. within the Bank itself, through which you can check the degree of diversity of the teams and areas for improvement.

Additionally, BBVA renewed the Family-friendly Company certificate granted by the Más Familia Foundation for the practices and regulations in place at BBVA involving equal treatment and labor, work-family and personal life balance. It was also included in the Variable D2019 report that recognizes the 30 companies in Spain with best practices in diversity and inclusion.

In the **United States**, BBVA Compass received the highest possible score (100%) in the 2018 Corporate Equality Index, an index that assesses corporate practices and policies for LGBT employees (Lesbian, Gay, Bisexual and Transgender). This index also functions as a national comparison between the main and most influential companies in the country.

In **Mexico**, BBVA Bancomer conducted the Women Matter study at country level, in order to better understand opportunities for improvement in diversity issues. In line with this, the maternity and paternity program was continued as a supportive measure to help employees through this new stage and to have useful information to generate new initiatives.

In **Turkey**, Garanti implemented its maternity program by redesigning the process before and after maternity leave.

Among other policies to support women who suffer from domestic violence, the Bank maintains a direct helpline for its employees.

Finally, at the end of 2018, all the banks of the Group's footprint, have protocols for the **prevention** of sexual harassment, in Spain and the United States for several years, and prepared during the year in the rest of countries.

In particular, in the Bank's protocol in Spain, the Entity and the trade union representatives signing the document expressly state their rejection of any behaviour with sexual nature or connotation that has the purpose or produces the effect of threatening the dignity of a person, particularly when an intimidating, degrading or offensive environment is created, and they commit themselves to the application of this agreement as a solution to prevent, detect, correct and sanction this type of conduct in the company.

Employees by countries and gender (BBVA Group)

	2018			2017		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	30,338	14,930	15,408	30,584	15,097	15,487
The United States	10,984	4,566	6,418	10,928	4,470	6,458
Mexico	36,123	16,843	19,280	37,207	17,271	19,936
Turkey	21,994	9,505	12,489	22,615	9,719	12,896
South America	25,050	11,492	13,558	29,423	13,385	16,038
Argentina	6,262	3,372	2,890	6,264	3,389	2,875
Colombia	6,803	2,819	3,984	6,769	2,765	4,004
Venezuela	3,384	1,148	2,236	4,159	1,400	2,759
Peru	6,267	3,027	3,240	5,955	2,873	3,082
Chile	923	436	487	4,852	2,244	2,608
Paraguay	430	219	211	446	228	218
Uruguay	578	314	264	592	330	262
Bolivia	396	154	242	379	153	226
Brazil	6	2	4	6	2	4
Cuba	1	1	-	1	1	-
Rest of Eurasia	1,138	637	501	1,099	611	488
France	72	46	26	72	44	28
United Kingdom	126	87	39	125	87	38
Italy	52	29	23	56	31	25
Germany	41	24	17	44	27	17
Begium	24	15	9	27	17	10
Portugal	469	235	234	472	234	238
Switzerland	122	77	45	121	76	45
Ireland	4	3	1	4	3	1
Luxembourg	-	-	-	3	2	1
Finland	83	54	29	39	29	10
Hong Kong	89	46	43	85	42	43
China	25	9	16	20	7	13
Japan	3	2	1	3	2	1
Singapore	8	1	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	9	3	6	9	3	6
Total	**125,627**	**57,973**	**67,654**	**131,856**	**60,553**	**71,303**

Promoted employees by gender (BBVA Group)

	2018			2017		
	Number of promoted employees	Male	Female	Number of promoted employees	Male	Female
Spain	4,827	2,172	2,655	3,878	2,066	1,812
The United States	1,049	461	588	450	292	158
Mexico	11,422	3,844	7,578	8,928	4,391	4,537
Turkey	4,284	1,749	2,535	4,082	1,822	2,260
South America	3,266	1,243	2,023	3,131	1,318	1,813
Rest of Eurasia	75	36	39	290	186	104
Total	**24,923**	**9,505**	**15,418**	**20,759**	**10,075**	**10,684**

Employees average age and distribution by age stages (BBVA Group. Years and percentage)

	2018				2017			
	Average	<25	25-45	>45	Average	<25	25-45	>45
Spain	42.8	0.9	63.7	35.4	42.5	0.8	65.6	33.6
The United States	41.1	6.7	58.0	35.2	40.9	6.4	58.8	34.8
Mexico	33.8	10.8	75.1	14.1	34.2	10.3	74.6	15.1
Turkey	34.3	4.8	87.9	7.2	33.7	5.3	88.7	6.0
South America	37.8	7.3	67.3	25.4	37.8	6.7	68.7	24.6
Rest of Eurasia	43.1	1.5	56.0	42.5	43.1	0.5	57.7	41.8
Total	**37.6**	**6.2**	**71.4**	**22.4**	**37.5**	**6.0**	**72.2**	**21.8**

Average length of service by gender (BBVA Group. Years)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Spain	16.3	17.0	15.5	16.1	17.1	15.1
The United States	6.6	5.3	7.5	7.2	5.8	8.1
Mexico	7.4	7.4	7.4	7.9	8.0	7.9
Turkey	8.1	8.2	7.9	7.6	7.7	7.4
South America	10.8	11.4	10.2	10.1	10.9	9.4
Rest of Eurasia	12.1	11.4	13.0	12.2	11.5	13.1
Total	**10.3**	**10.7**	**10.0**	**10.2**	**10.7**	**9.7**

Employee distribution by professional category and gender (BBVA Group. Percentage)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Spain						
Management team [1]	3.5	76.6	23.4	3.4	77.1	22.9
Middle men	6.4	63.1	36.9	6.3	64.1	35.9
Specialists	30.7	51.5	48.5	24.5	54.1	45.9
Sales force	45.2	44.2	55.8	45.8	44.7	55.3
Base positions	14.2	47.3	52.7	19.9	44.8	55.2
The United States						
Management team [1]	0.4	93.0	7.0	0.3	85.7	14.3
Middle men	18.7	59.3	40.7	19.0	59.8	40.2
Specialists	17.8	43.0	57.0	18.2	42.2	57.8
Sales force	35.9	49.4	50.6	32.7	50.8	49.2
Base positions	27.3	17.4	82.6	29.9	16.9	83.1
Mexico						
Management team [1]	0.5	84.4	15.6	0.6	84.0	16.0
Middle men	2.1	66.4	33.6	1.8	68.9	31.1
Specialists	34.1	49.4	50.6	35.6	50.6	49.4
Sales force	29.4	52.4	47.6	29.9	52.6	47.4
Base positions	33.9	37.1	62.9	32.0	34.0	66.0
Turkey						
Management team [1]	0.0	85.7	14.3	0.0	90.0	10.0
Middle men	29.2	40.9	59.1	23.5	41.8	58.2
Specialists	34.9	35.3	64.7	33.5	36.0	64.0
Sales force	28.0	41.0	59.0	35.3	39.2	60.8
Base positions	7.8	95.2	4.8	7.6	94.7	5.3
South America						
Management team [1]	0.7	72.1	27.9	0.8	75.2	24.8
Middle men	8.0	54.5	45.5	7.6	57.2	42.8
Specialists	39.2	51.5	48.5	38.2	50.5	49.5
Sales force	38.7	40.3	59.7	39.6	38.8	61.2
Base positions	13.4	38.9	61.1	13.8	43.0	57.0
Rest of Eurasia						
Management team [1]	5.2	86.4	13.6	5.6	86.9	13.1
Middle men	9.7	70.0	30.0	9.6	67.9	32.1
Specialists	45.8	51.8	48.2	43.0	52.4	47.6
Sales force	33.7	57.8	42.2	35.2	56.3	43.7
Base positions	5.6	26.6	73.4	6.6	27.8	72.2
Group average						
Management team [1]	1.2	77.9	22.1	1.2	78.4	21.6
Middle men	10.6	50.8	49.2	9.4	52.8	47.2
Specialists	33.1	47.5	52.5	31.9	48.2	51.8
Sales force	35.4	45.4	54.6	37.0	44.7	55.3
Base positions	19.6	40.7	59.3	20.6	39.6	60.4

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

Employee distribution by type of contract and gender (BBVA Group. Percentage)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Spain						
Permanent employee. Full-time	92.6	51.3	48.7	93.1	51.3	48.7
Permanent employee. Part-time	3.1	6.1	93.9	2.6	4.6	95.4
Temporary employee	4.3	35.2	64.8	4.3	34.8	65.2
The United States						
Permanent employee. Full-time	97.2	42.2	57.8	97.1	41.5	58.5
Permanent employee. Part-time	2.7	19.5	80.5	2.9	21.7	78.3
Temporary employee	0.0	100.0	0.0	0.1	62.5	37.5
Mexico						
Permanent employee. Full-time	90.7	46.3	53.7	89.7	46.1	53.9
Permanent employee. Part-time	0.0	20.0	80.0	0.7	24.0	76.0
Temporary employee	9.3	50.2	49.8	9.5	51.0	49.0
Turkey						
Permanent employee. Full-time	99.6	43.2	56.8	99.4	43.0	57.0
Permanent employee. Part-time	0.0	0.0	0.0	0.0	0.0	0.0
Temporary employee	0.4	54.5	45.5	0.6	47.3	52.7
South America						
Permanent employee. Full-time	89.1	46.8	53.2	89.6	46.4	53.6
Permanent employee. Part-time	2.8	34.3	65.7	2.7	34.1	65.9
Temporary employee	8.1	39.4	60.6	7.7	38.7	61.3
Rest of Eurasia						
Permanent employee. Full-time	99.6	56.0	44.0	98.5	55.8	44.2
Permanent employee. Part-time	0.1	100.0	0.0	0.0	0.0	0.0
Temporary employee	0.4	50.0	50.0	1.5	43.8	56.3
Group average						
Permanent employee. Full-time	93.1	46.7	53.3	92.8	46.5	53.5
Permanent employee. Part-time	1.5	18.3	81.7	1.7	20.2	79.8
Temporary employee	5.4	44.1	55.9	5.5	44.2	55.8

Employee distribution by type of contract and age stages (BBVA Group. Percentage)

	2018				2017			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Spain								
Permanent employee. Full-time	92.6	0.5	61.8	37.7	93.1	0.4	63.9	35.7
Permanent employee. Part-time	3.1	0.0	89.8	10.2	2.6	0.0	89.5	10.5
Temporary employee	4.3	10.1	86.1	3.8	4.3	9.1	88.5	2.5
The United States								
Permanent employee. Full-time	97.2	5.8	58.6	35.6	93.1	5.3	59.5	35.2
Permanent employee. Part-time	2.7	39.4	37.7	22.8	2.9	38.9	38.2	22.9
Temporary employee	0.0	100.0	0.0	0.0	0.1	75.0	25.0	0.0
Mexico								
Permanent employee. Full-time	90.7	7.7	76.8	15.5	89.7	7.1	76.3	16.6
Permanent employee. Part-time	0.0	0.0	80.0	20.0	0.7	34.7	59.0	6.3
Temporary employee	9.3	40.8	58.7	0.5	9.5	38.9	59.8	1.3
Turkey								
Permanent employee. Full-time	99.6	4.8	88.0	7.2	99.4	5.2	88.8	6.0
Permanent employee. Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary employee	0.4	11.7	76.6	11.7	0.6	29.0	66.4	4.6
South America								
Permanent employee. Full-time	89.1	4.2	67.8	27.9	89.6	3.8	69.3	26.9
Permanent employee. Part-time	2.8	19.6	75.1	5.3	2.7	21.9	73.7	4.3
Temporary employee	8.1	36.2	59.2	4.6	7.7	35.8	59.7	4.5
Rest of Eurasia								
Permanent employee. Full-time	99.6	1.4	56.0	42.6	98.5	0.5	57.2	42.3
Permanent employee. Part-time	0.1	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Temporary employee	0.4	25.0	75.0	0.0	1.5	6.3	87.5	6.3
Group average								
Permanent employee. Full-time	93.1	4.5	71.7	23.7	92.8	4.3	72.6	23.2
Permanent employee. Part-time	1.5	13.1	76.4	10.5	1.7	17.9	72.6	9.5
Temporary employee	5.4	33.2	64.3	2.5	5.5	32.4	65.0	2.6

Employee distribution by professional category and type of contract (BBVA Group. Percentage)

	2018			2017		
	Permanent employee. Full-time	Permanent employee. Part-time	Temporary employee	Permanent employee. Full-time	Permanent employee. Part-time	Temporary employee
Spain						
Management team [1]	99.9	0.1	0.0	99.8	0.2	0.0
Middle men	98.5	1.5	0.0	97.8	2.2	0.0
Specialists	88.3	4.9	6.8	96.7	2.7	0.5
Sales force	96.5	1.9	1.6	97.4	1.6	1.0
Base positions	84.9	4.6	10.5	76.3	5.4	18.3
The United States						
Management team [1]	100.0	0.0	0.0	100.0	0.0	0.0
Middle men	99.8	0.2	0.0	99.9	0.1	0.0
Specialists	99.6	0.3	0.1	99.6	0.3	0.1
Sales force	99.9	0.1	0.0	99.9	0.0	0.1
Base positions	90.3	9.7	0.0	90.6	9.3	0.1
Mexico						
Management team [1]	100.0	0.0	0.0	100.0	0.0	0.0
Middle men	98.9	0.1	0.9	99.4	0.1	0.4
Specialists	95.8	0.0	4.2	87.9	0.0	12.1
Sales force	94.9	0.0	5.1	92.9	0.0	7.1
Base positions	81.2	0.0	18.7	88.1	2.3	9.6
Turkey						
Management team [1]	100.0	0.0	0.0	100.0	0.0	0.0
Middle men	99.8	0.0	0.2	99.8	0.0	0.2
Specialists	99.4	0.0	0.6	99.2	0.0	0.8
Sales force	99.7	0.0	0.3	99.3	0.0	0.7
Base positions	99.9	0.0	0.1	99.9	0.0	0.1
South America						
Management team [1]	97.7	2.3	0.0	97.3	2.7	0.0
Middle men	99.5	0.1	0.3	99.5	0.1	0.4
Specialists	98.4	0.4	1.2	98.3	0.4	1.3
Sales force	87.6	4.1	8.2	88.1	4.1	7.8
Base positions	59.3	7.4	33.3	64.0	6.8	29.2
Rest of Eurasia						
Management team [1]	98.3	1.7	0.0	100.0	0.0	0.0
Middle men	100.0	0.0	0.0	100.0	0.0	0.0
Specialists	99.6	0.0	0.4	97.7	0.0	2.3
Sales force	99.7	0.0	0.3	99.2	0.0	0.8
Base positions	98.4	0.0	1.6	97.2	0.0	2.8
Group average						
Management team [1]	99.6	0.4	0.0	99.5	0.5	0.0
Middle men	99.5	0.3	0.2	99.4	0.4	0.2
Specialists	95.6	1.2	3.1	94.9	0.6	4.4
Sales force	95.0	1.5	3.6	94.6	1.4	3.9
Base positions	81.4	3.0	15.6	82.9	4.3	12.7

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

Different capabilities

BBVA manifests its commitment to the labor integration of people with different skills through the **Integra Plan**, which is born of the conviction that employment serves as a fundamental pillar in the promotion of equal opportunities for all people. The Integra Plan is developed through alliances with the main Spanish organizations in the disability sector and is a transversal plan that seeks to promote accessibility, labor integration and greater knowledge and awareness of the needs and potential of people with disabilities. As part of the Plan, the BBVA Integra Awards have been presented every year in Spain since 2009, recognizing the work of organizations that carry out labor integration projects and promote the development of initiatives and good practices in this field of activity.

In **Mexico**, BBVA made agreements with the Ministry of Education and the Secretariat of Public Education so that students with intellectual disabilities could carry out their professional practices in the Bank, as well as a pilot test program for the inclusion of people with disabilities in the circuit de Bancomer races.

As of December 31, **2018**, BBVA had 727 people with different capabilities in the Group's staff, of which 215 are in Spain, 192 in the United States, 28 in Mexico, 279 in Turkey and 33 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, BBVA Bancomer in Mexico and BBVA Francés in Argentina are all accessible. And in 2018, BBVA Spain launched a new mobile application aimed at facilitating cashier operations for blind people and those with a mild physical or intellectual disability.

Working environment

BBVA carries out, on a general and biennial basis, a survey to measure its employees' commitment and discover their opinions. In 2017, the last survey performed, 87% of the employees that BBVA has worldwide participated. One of the highlights of the results is the average of the 12 main questions of the survey, which was 4.02 out of 5, representing an increase of 11 basis points. The level of commitment of BBVA employees was maintained at 4.40, out of 5, improving due to the more than 11,000 action plans that were agreed as a result of the previous survey.

Freedom of association and representation

In accordance with the 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 our way of dealing with any difference or conflict in the Group, for which there are specific procedures for consultation with union representatives.

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

In other countries, the employees of the Group are included in any collective agreement in such a way that in Mexico 35% of the workforce is covered by an agreement, reaching 100% in Argentina, Colombia, Venezuela and Paraguay, and 6% in Peru . As an example of this type of coverage, under Colombian legislation there are two forms of representation for employees, which has led to the existence of two agreements in the Bank: the Collective Pact, which covers 77% of the staff, with representation exercised directly by the employees, and the Collective Convention, which benefits 22% of the workforce and is agreed with the trade union organizations, whose representatives are the individuals chosen by each union. On its part, the regulations in force in the United States and Turkey do not require the same application of the agreement to its staff.

Health and labor safety

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

In this sense, the **work risk prevention** model in BBVA Spain is legally regulated and is based on the right of workers to consult and participate in these areas, which they exercise and develop through the assistance of the employee representatives in the existing equality committees, where the consultations are discussed and matters of health and safety at work are dealt with, monitoring any and all activity related to prevention.

The Occupational Risk Prevention Service is the unit responsible for defining and carrying out the preventive policy that affects 100% of the Bank's workforce, and which is embodied in two lines of action: a) preventive-technical, including periodic workstation assessments, implementation of emergency and evacuation plans, and coordination of preventive initiatives; and b) occupational medicine, including medical examinations for employees, protection of specially sensitive employees, and the adaptation of workstations with specific ergonomic equipment, as well as carrying out preventive initiatives and campaigns to maintain and improve employee health and contribute to the development of a preventive culture and the promotion of healthy habits.

Occupational health (BBVA Spain. Number)

	2018	2017
Number of technical preventive actions	3,078	2,655
Number of preventive actions to improve working conditions	3,854	3,429
Appointments for health checks	15,590	18,471
Employees represented in health and safety committees (%)	100	100
Absenteeism rate (%)	2.8	2.6

In other geographical areas in which the Group is present, there were also advances in 2018 in the field of occupational health and safety, many of them as a result of the activity of the health and safety committees in which the employees are 100% represented in most of the countries. That is:

- In the **United States**, BBVA Compass' 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 are. During the year, six technical-preventive actions were made and the absenteeism rate was 1.1%.

- In **Mexico**, whose workforce is 100% represented in health and safety committees, various campaigns were carried out to promote awareness and prevention in the area of health and safety at work, specifically the national campaign for the prevention of breast and prostate cancer, as well as the national campaign for the prevention and control of seasonal flu. During the year, 106 technical-preventive actions were carried out and the absenteeism rate was 2.0%.

- 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, 174 technical-preventive actions were carried out, 816 preventive actions to improve working conditions, more than 40,000 appointments for health checks and an absenteeism rate of 1.1%. 100% of employees are represented on the health and safety committees.

- In **South America**, there is no uniform health and safety management model for the entire area. By country, during the year, 24 technical-preventive actions were carried out in Argentina, 2,256 in Colombia, 116 in Peru, 9 in Venezuela and 5 in Paraguay. Preventive actions to improve working conditions were 15, 5,621, 662, 6, and 10, respectively, and an absenteeism rate of 1.6%, 3.6%, 1.2%, 13.6% and 0,9%, was recorded respectively. Altogether, about 10,000 appointments for health checks were issued. 100% of employees in Colombia, Peru and Paraguay are represented in the health and safety committees, 3% in Argentina and 60% in Venezuela. Uruguay has a labor safety committees composed of union and bank representatives to oversee the working, health, and occupational safety conditions of its employees. Likewise, it offers a complete medical check-up of 100% of its staff as a benefit.

Volume and absenteeism typology of employees (BBVA Group)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Number withdrawn	30,696	10,181	20,515	40,187	13,513	26,673
Total number of withdrawn hours by illness or accident during the year	4,027,728	1,335,408	2,692,320	4,826,776	1,597,272	3,229,504
Number of accidents with medical withdrawn	437	147	290	473	132	341
Frequency index	2.58	1.84	3.23	2.93	2.09	3.66
Severity index	2.24	1.62	2.79	2.30	1.38	3.09
Absenteeism rate (%)	1.2	0.9	1.5	1.5	1.1	1.9

In 2018, BBVA registered a total of 437 cases of **work-related accidents** with medical leave throughout the Group (only two out of every 100 casualties are due to accidents), most of them commuting accident which represent 7.6% less than the last year.

In Spain, no case of occupational disease was registered, while the number of work accidents was 200 in the year, a figure that represents a very low severity. Thus, the Bank's severity index stands at 0.15 (0.11 men and 0.19 women), while the frequency index stands at 3.92 (2.68 men and 5.14 women).

Organization of work

In 2018, practical ideas have been promoted to favor **work-life balance**, such as setting a deadline for leaving work that serves as a reference for the whole team, and thus avoiding presenteeism and to respect the **digital disconnection** time with the initiative of not sending emails between 8 pm and 8 am or at weekends.

Regarding the organization of working time, and with the aim of being more productive and more efficient, initiatives have been implemented such as making better use of meetings, reducing the number of meetings, their duration (by default 45 minutes) and the number of people called to attend, being more punctual and using more concise, clear and simple documentation.

Voluntary resignations (turn over) [1] and breakdown by gender (BBVA Group. Percentage)

	2018			2017		
	Total workforce turnover	Male	Female	Total workforce turnover	Male	Female
Spain	1.3	62.6	37.4	1.0	66.3	33.7
The United States	13.0	41.2	58.8	14.0	39.1	60.9
Mexico	13.3	50.7	49.3	12.9	51.3	48.7
Turkey	3.9	41.2	58.8	3.4	36.8	63.2
South America	7.7	42.7	57.3	7.6	45.6	54.4
Rest of Eurasia	4.5	46.0	54.0	5.4	63.1	36.9
Total	**7.6**	**47.1**	**52.9**	**7.3**	**47.5**	**52.5**

[1] Turn-over= [Resignations (excluding early retirement)/Number of employees at start of period] x 100

Recruitment of employees by gender (BBVA Group. Number)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Spain	3,242	1,494	1,748	2,714	1,175	1,539
The United States	2,657	1,184	1,473	2,987	1,373	1,614
Mexico	8,133	4,184	3,949	7,664	4,024	3,640
Turkey	2,223	987	1,236	1,931	827	1,104
South America	3,386	1,569	1,817	3,787	1,708	2,079
Rest of Eurasia	155	96	59	68	36	32
Total	**19,796**	**9,514**	**10,282**	**19,151**	**9,143**	**10,008**
Of which new hires are [1]:						
Spain	1,252	786	466	1,237	827	410
The United States	2,650	1,177	1,473	2,951	1,350	1,601
Mexico	5,951	2,997	2,954	6,468	3,314	3,154
Turkey	2,186	973	1,213	1,823	795	1,028
South America	2,521	1,213	1,308	2,765	1,427	1,338
Rest of Eurasia	142	88	54	55	30	25
Total	**14,702**	**7,234**	**7,468**	**15,299**	**7,743**	**7,556**

[1] Including hires through consolidations.

Discharge of employees by discharge type and gender (BBVA Group. Number)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Spain						
Retirement and early retirement	525	366	159	839	621	218
Voluntary redundancies	71	33	38	129	83	46
Resignations	406	254	152	323	214	109
Dismissals	79	48	31	69	39	30
Others (1)	2,407	960	1,447	2,221	816	1,405
The United States						
Retirement and early retirement	59	10	49	51	11	40
Voluntary redundancies	2	1	1	1	1	0
Resignations	1,420	585	835	1,479	578	901
Dismissals	101	45	56	144	61	83
Others (1)	1,019	447	572	928	439	489
Mexico						
Retirement and early retirement	385	190	195	362	207	155
Voluntary redundancies	105	59	46	47	28	19
Resignations	4,931	2,499	2,432	4,814	2,469	2,345
Dismissals	2,613	1,193	1,420	1,711	925	786
Others (1)	1,183	671	512	901	460	441
Turkey						
Retirement and early retirement	90	46	44	101	46	55
Voluntary redundancies	110	57	53	46	28	18
Resignations	883	364	519	810	298	512
Dismissals	19	13	6	10	7	3
Others (1)	1,742	721	1,021	2,027	774	1,253
South America						
Retirement and early retirement	54	29	25	32	22	10
Voluntary redundancies	416	231	185	855	382	473
Resignations	2,273	971	1,302	2,335	1,064	1,271
Dismissals	334	164	170	682	322	360
Others (1)	4,682	2,067	2,615	1,003	460	543
Rest of Eurasia						
Retirement and early retirement	3	2	1	12	7	5
Voluntary redundancies	10	4	6	47	33	14
Resignations	50	23	27	65	41	24
Dismissals	10	6	4	13	7	6
Others (1)	43	35	8	30	19	11
Total Group						
Retirement and early retirement	1,116	643	473	1,397	914	483
Voluntary redundancies	714	385	329	1,125	555	570
Resignations	9,963	4,696	5,267	9,826	4,664	5,162
Dismissals	3,156	1,469	1,687	2,629	1,361	1,268
Others (1)	11,076	4,901	6,175	7,110	2,968	4,142

(1) Others include permanent termination and death. In 2018, South America and Total Group include the sale of BBVA Chile.

Dismissals by professional category and age stages (BBVA Group. Number)

	2018				2017			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Spain								
Management team [1]	12	0	2	10	7	0	3	4
Middle men	3	0	0	3	6	0	3	3
Specialists	23	1	15	7	33	0	23	10
Sales force	27	0	18	9	0	0	0	0
Base positions	14	0	8	6	23	0	16	7
The United States								
Management team [1]	0	0	0	0	0	0	0	0
Middle men	4	0	2	2	6	0	3	3
Specialists	3	0	0	3	16	0	12	4
Sales force	44	6	28	10	51	6	37	8
Base positions	50	13	34	3	71	19	40	12
Mexico								
Management team [1]	10	0	1	9	13	0	3	10
Middle men	23	0	6	17	29	0	14	15
Specialists	1,338	39	897	402	1,132	30	842	260
Sales force	824	35	602	187	180	6	136	38
Base positions	418	44	340	34	357	15	257	85
Turkey								
Management team [1]	0	0	0	0	0	0	0	0
Middle men	3	0	3	0	4	0	4	0
Specialists	11	2	9	0	5	0	5	0
Sales force	5	0	5	0	0	0	0	0
Base positions	0	0	0	0	1	0	1	0
South America								
Management team [1]	3	0	0	3	6	0	1	5
Middle men	20	0	8	12	101	0	55	46
Specialists	77	2	45	30	308	10	229	69
Sales force	178	12	132	34	47	1	35	11
Base positions	56	20	27	9	220	48	134	38
Rest of Eurasia								
Management team [1]	2	0	0	2	2	0	0	2
Middle men	1	0	0	1	0	0	0	0
Specialists	4	0	3	1	10	0	2	8
Sales force	3	0	1	2	1	0	1	0
Base positions	0	0	0	0	0	0	0	0
Group Total								
Management team [1]	27	0	3	24	28	0	7	21
Middle men	54	0	19	35	146	0	79	67
Specialists	1,456	44	969	443	1,504	40	1,113	351
Sales force	1,081	53	786	242	279	13	209	57
Base positions	538	77	409	52	672	82	448	142

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

Remuneration

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

This policy is part of the elements designed by the Board of Directors as part of the BBVA corporate governance system to ensure proper management of the 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 tolerated by the Group;
- it is compatible with BBVA's business strategy, objectives, values and long-term interests, and will include measures intended to avoid conflicts of interest;
- clearly distinguishes the criteria for the establishment of fixed remuneration and variable remuneration;
- promotes equal treatment for all staff, not introducing differences due to gender or personal reasons of any kind; and
- ensures that remuneration is not based exclusively or primarily on quantitative criteria and takes into account adequate qualitative criteria that reflect compliance with the applicable standards.

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

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

The remuneration policy of the BBVA Group promotes equal treatment between men and women, which does not establish or encourage wage differentiation. The remuneration model rewards the level of responsibility and career pathway, ensuring internal equity and external competitiveness.

The wage gap by homogeneous professional categories in the Group as a whole is -10.6%. The differences observed in the average remunerations of some groups are derived from factors such as seniority, and its wide composition, and are not representative of the wage gap. The aforementioned is due to the fact that these average remunerations include very diverse professional categories, and therefore are influenced by aspects such as the different distribution of men and women by professional category or the greater proportion of women in countries with lower average remunerations.

In this sense, the Group has launched various initiatives to continue improving in a more balanced representation of all the groups in the different areas and levels of responsibility (see the Professional Development section).

Wage gap [1] (Percentage)

	2018	2017
BBVA Group	(10.6)	(10.1)

[1] Wage gap measured as a difference in average wages between women and men, expressed as a percentage of the average remuneration of men.

Total average remuneration by professional category (BBVA Group. Euros)

	2018	2017
Management team [1]	110,159	106,651
Middle men	59,594	59,866
Specialists	28,384	28,194
Base Positions	20,757	19,510

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

Total average remuneration by age stages and gender(BBVA Group. Euros)

	2018			2017		
	Female	Male	Total	Female	Male	Total
<25 years	8,880	10,829	9,714	8,333	9,722	8,897
25-45 years	23,651	31,884	27,263	23,413	32,317	27,293
>45 years	44,755	66,114	56,358	42,487	63,952	54,324

The remunerations of the members of the Board are disclosed at an individual level and by remunerative concept in the Note 54 to the Consolidated Financial Statements. With regards to the members of the senior management, the total remuneration amounted to €1,965 million in the case of men and to €1,759 million in the case of women.

Pensions and other benefits

BBVA has an employee welfare system which is ordered according to the geographical areas and coverage offered to different groups of employees. In general, the social security system has a defined contribution for the retirement provision. The Group's pension policy is compatible with the Entity's business strategy, objectives and long-term interests.

Contributions to the **social security systems** of the Group's employees are made within the framework of applicable labor regulations and individual or collective agreements applicable in each entity, sector or geographical area. The bases of calculation on which the benefits revolve (commitments for retirement, death and disability) reflect fixed annual amounts, there being no temporary fluctuations derived from variable components or individual results.

Regarding the other **benefits**, the Group provides for a local framework of application, according to which each entity, depending on its activity sector and the geographical area in which it operates, has a package of benefits for employees within the entity’s specific remuneration scheme.

In 2018, the Bank in Spain made a payment of 23.5 million euros by way of savings contributions to pension plans and life and accident insurance premiums, of which 13.3 million euros corresponds to contributions to men and 10.2 million to women. This payment represents more than 95% of the expenditure on pensions in Spain, excluding single policies. On average, the contribution received by each employee is 964 euros during the year (1,105 euros men and 826 euros women).

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. During 2018, we have seen more than 14,000 employee participations in volunteer actions promoted by BBVA.

One new event to highlight is the Global Volunteer Week, which took place during the month of September. More than 8,000 BBVA employees were organized into 325 solidarity activities carried out in over 15 countries. The employees, accompanied in many cases by family and friends, demonstrated their concern for social and environmental issues, and for one week, they participated in activities that reinforced their relationship between colleagues, working as a single team and contributing to the improvement of their environment. Below is a brief summary by country:

- **In Argentina**, employees participated in almost 30 activities such as awareness talks, preparation and classification of food, financial education workshops in schools or a day of artistic expression in a pediatric hospital. They have collaborated with the groups like Techo Foundation or Banco de Alimentos.

- **In Colombia**, employees participated in initiatives to support children and young people at risk of social exclusion along with Hogar San Pedro Claver, the Esperanza de Amaly Foundation, or the House of Mother and Child.

- **In Spain**, employees had the opportunity to choose from 90 activities: collection of food and clothing, training in school support, reforestation, support in soup kitchens, solidarity markets. with entities such as the Spanish Federation of Food Banks, Red Cross, Theodora Foundation or the San Vicente de Paul Foundation. More than 36 tons of food were collected in Spain.

- **In Mexico**, the initiative with the greatest level of participation was the reforestation and rehabilitation of the Chapultepec forest, neighbor of the BBVA Bancomer Tower and the most important natural lung in Mexico City. They planted 4,000 plants of different species, and painted one of the most important open forum spaces in the park. Other activities were carried out, such as mentoring the employees of the BBVA Bancomer Foundation by employees; reforestation in Saltillo, planting in the State of Mexico and in three schools of the program undergoing reconstruction after the earthquakes.

- **In Paraguay**, employees have given talks on financial education and awareness of the importance of taking care of the planet to children of Fundación Alda and others from public schools. They have made piggy banks with recyclable materials, collected by employees.

- **In Peru**, employees collected plastic caps in order to buy wheelchairs for hospitalized children. In addition, a group of volunteers also dedicated themselves to cleaning Los Pescadores beach. The result was 120 kilos of waste and plastics collected in a few hours.

- **In Turkey**, employees focused on children, with book collections and organization of birthday parties for the children of The Hope Foundation for Children with Cancer. In addition, they have acted to provide visibility to the work of different NGOs with the organization of a solidarity fair and collection of funds.

- **In Uruguay**, the centers for two solidarity organizations were set up, and activities involving animation for the children who are beneficiaries of the Ronald McDonald Foundation were carried out. There, too, BBVA awarded 20 scholarships for children to access The Electric Academy, an innovative training space that works to bring the education of the future to the present.

- **In the United States**, employees focused on the collection and distribution of food, the adaptation and reconstruction of schools and homes, and the support of financial education for adults. More than 2,000 employees participated in this volunteer week.

- **In Venezuela**, employees have collected toys and participated in entertainment activities for hospitalized children, among other initiatives. In addition, a talk on the prevention of technological fraud was held at the San Francisco de Sales School, where children were made aware of the most frequent risks to which they are exposed when using social networks and security tips were provided on how to safeguard accounts, passwords and privacy.

- The Global Volunteer Week was also held in the offices in London, Paris and Hong Kong.

Responsible practices

Compliance system

Internal control model

Commitment to human rights

Fiscal transparency

Suppliers

Responsible practices

Compliance system

Mission and scope of action

The Group's **compliance system** constitutes one of the bases on which BBVA consolidates the institutional commitment to conduct all its activities and businesses in strict compliance with current legislation at all times and in accordance with strict codes of ethical conduct. To achieve this, the cornerstone of the BBVA compliance system, the Code of Conduct, was available on the BBVA corporate website (bbva.com), the model for internal controls and Compliance requirements.

The **Code of Conduct** establishes the behavior guidelines that, according to the principles of 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.

The BBVA **internal control model**, built in accordance with the guidelines and recommendations of regulators and supervisors and with best international practices, on the existence of three different levels of control, which is commonly known as a three-lines model of defense, is intended to identify, prevent and correct the situations of risk inherent to the performances of their activity in the areas and locations in which it operates.

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

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

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

To reinforce these aspects and specifically, the independence of the control areas, on December 20, 2018, the Board of Directors held a meeting where they agreed to the creation of a new area, Supervisors, Regulation & Compliance, within the framework of a new organizational structure, in which the Compliance unit is integrated, and which will have a direct report to the Board of Directors through its corresponding Committees.

Organization, internal government and management model

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

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

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

- Review and periodic analysis of the applicable norms and regulations.
- Issue, promotion or updating of compliance-related policies and procedures.
- Advice to the organization in the interpretation of the code of conduct or compliance policies.
- Continuous supervision of activities with compliance risk.
- Management of complaint channels.
- Participation in committees that deal with issues related to compliance matters.
- Participation in independent review processes on the subject.
- Periodic reporting to the management and to governing bodies.
- Representation of the function before regulatory bodies and supervisors in matters of compliance.
- Representation of the function in national and international forums.

In 2018, the structure of the compliance units in the different countries evolved to better align with these foundations.

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

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

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

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

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

Throughout 2018, work continued on strengthening the documentation and management of this model. Thus, the Compliance Unit continued with the review and update of the global typologies of compliance risks, both at a general level as well as in different geographical areas.

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

Additionally, during the year, the Compliance function reinforced the compliance testing framework, evolving the global methodology to adapt it to the applicable regulations and to the best industry practices regarding in compliance.

On the other hand, in recent years, one of the most relevant axes of application of the compliance model focuses on the digital transformation of BBVA. For this reason, in 2018, the Compliance Unit continued reinforcing the governance, supervision and advisory mechanisms for the activities of the areas that promote and develop business initiatives and digital projects in the Group.

Anti-money laundering and financing of terrorism

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

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

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

This management model is constantly evolving. Thus, the risk analyses that are carried out annually allow us to tighten controls and to establish, where appropriate, additional mitigating measures to enhance it. In 2018, the regulated entities of the Group carried out this AML risk assessment exercise, under the supervision of the corporate AML area.

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

During 2018, BBVA continued to roll out its **monitoring tool** in Turkey and Mexico, already 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 the implementation, in several countries, of improvements in processes and/or systems that have allowed for increases in efficiency in AML equipment.

In 2018, the BBVA Group handled 144,576 investigation files that resulted in 66,636 suspicious transaction communications, which were then 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. In this plan, defined according to the training needs identified in each of the entities, training activities of different nature are established (face-to-face or e-learning courses, videos, brochures, etc.), both for new hires as well as for the employees on staff. Likewise, the content of each training action is adapted to the target group, including general concepts derived from the regulation of applicable AML standards, both internal and external, as well as specific issues that affect the functions developed by the target group for the training. In 2018, 69,572 attendees participated in AML training activities, of which 15,035 belonged to the most sensitive groups, from the perspective of AML.

The AML risk management model is subject to continuous **independent review**. This review is complemented by internal and external audits carried out by local supervisory bodies, both in Spain as well as in other jurisdictions. In accordance with Spanish regulations, an external expert performs a yearly review of the Group's parent. In 2018, no material deficiencies were identified. In turn, the internal control body, which BBVA maintains at the corporate level, meets periodically, and oversees the implementation and effectiveness of the AML risk management model. This supervision scheme is replicated at the local level as well.

It is important to mention BBVA's **collaboration** work with the different government agencies and international organizations in this field: attendance at the meetings of the AML & Financial Crime Committee of the European Banking Federation, member of the AML Working Group of the IIF, participation in initiatives and forums to increase and improve exchanges of information for AML purposes, as well as contributions to public consultations issued by national and international organizations (European Commission, FATF/GAFI, European Supervisory Authorities).

Conduct with customers

BBVA's Code of Conduct puts its customers at the center of its activities, with the aim of establishing lasting relations based on mutual confidence and the contribution of value.

As mentioned in the chapter on customer relationship, BBVA's main focus is to satisfy the needs of its customers, simultaneously combining innovative solutions, experience and the highest standards of conduct. Providing the best possible customer experience is one of the Group's Strategic Priorities.

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

In 2018, progress continued on a global customer compliance model, which aims to establish a minimum framework of standards of conduct to be respected in the relationship with customers, applicable in all jurisdictions of the Group aligned with the principles of the Code of Conduct. This model responds to a regulation governing customer protection that is increasingly uniform at global level, and contributes to a better customer experience at BBVA.

With this in mind, the Compliance Unit focused its activity on the promotion of plans to adapt the Community regulations and internal processes to the obligations derived from new regulatory developments. Among them, the following stand out due to their importance to customer protection: the Directive on Markets in Financial Instruments (MiFID II); the Regulation on packaged products and based on insurance for the retail public (PRIIPs); and the Private Insurance Distribution Directive; and (iv) the European Union Directive on real-estate loans.

During the year, BBVA continued with the deployment of the adaptation plan to MiFID II through the implementation of policies and procedures on different areas. Procedures that help to get to know its customers better, with the purpose of being able to offer them products and services in line with their financial needs, as well as providing them with clear and accurate information on the risks of the products in which they invest, sufficiently in advance. As part of this adaptation plan, regarding the knowledge and skills of the personnel that inform or advise, BBVA continued to develop a training program that concluded with the accreditation of practically all of the employees and agents affected. In the Group, the number of certified sales representatives, following the requirements of local regulations in each country, amounts to 39,157 employees as of 31-12-18.

In addition, BBVA continues to develop processes aimed at prevention or, failing that, the management of possible conflicts of interest that may arise in the marketing of its products. In this regard, in 2018, internal communication channels and the transparency framework were strengthened in relation to the income obtained from the provision of services. Furthermore, something new for the 2018 fiscal year, the corporate policy of product governance was deployed in the different countries where the Group is present. This policy establishes the guiding principles that BBVA must follow when launching its products; and it introduces the variables to take into account when identifying the group of customers to whom to direct their products, according to their different needs and objectives.

Other measures focused on customer protection during 2018 were the following:

- Analysis of the characteristics, risks and costs of the new products, services and activities of BBVA, as well as its distribution channels, through the different Committees for new products implemented in the Group. Over the course of the year, 103 new products, services or activities in the Bank were approved within these committees.

- Close and continuous collaboration with wholesale and retail product and business development units, focusing on digital banking initiatives, with the aim of including the customers' point of view, and investor protection in its projects from the outset.

- The evolution of product classification tools, allowing a better adaptation of the same to the characteristics and needs of the customers.

- Promoting communication and training actions for the sales network and support departments, particularly on how to advise customers and how to sell products in the branch network.

- Enhancement of the compliance risk monitoring metrics and indicators to promote a proactive approach, with a particular focus on customer complaints. In this context, during 2018, BBVA, S.A. has focused on collaboration with the Customer Care Services.

- Evaluation of the internal measures in force, based on internal and external audit reviews and regulatory inspections and requirements.

Conduct on securities markets

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

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

The BBVA's policy and ICC were updated in 2017, and in 2018 in the rest of the geographical areas in which the Group operates. The degree of adhesion to the new ICC approached 100% of the individuals in question.

Furthermore, during 2018, training on Market Abuse has been reinforced for the groups affected by the ICC in order to keep them updated as to their obligations and all related new developments. Particularly noteworthy is the global and mandatory training course of the Internal Code of Conduct aimed at all persons subject to this Regulation, a collective that amounts to 6,849 people.

In relation to the **market abuse prevention** program, the process of improving the detection tools of suspicious market abuse operations continued. Thus, the training of employees in this area continues to be a priority, to the extent that, in 2018, specific internal and external training actions were carried out, highlighting courses on privileged information and market manipulation in Spain and Latin America.

In addition, in 2018, training actions have been carried out for teams dedicated to the sale of financial instruments, in light of the adhesion of BBVA in Spain and in Mexico to the Foreign Exchange (FX) global code of conduct; the swap dealer activity control program was reinforced in accordance with the American Dodd Frank regulation, both in its governance as well as in several of its elements, including the training of sales personnel (Associated Persons) who sell derivatives to customers considered as US. Persons; and the annual Volcker Rule training was given to a group of 2,417 employees in the Group, with essentially entirety being affected.

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 the reputation or good name of BBVA. This whistleblowing channel serves as a means for enabling employees to report any breaches they observe or are notified by their collaborators, customers, suppliers or colleagues. The channel is available 24/7, all year round, and is also open to the Group's suppliers. All reports are processed diligently and promptly. They are reviewed, and measures are taken to resolve any issues. The information is analyzed in an objective, impartial and confidential manner.

BBVA has 16 complaints channels accessible to employees in all its main countries, which can be accessed through email and telephone. In 2018, 1,649 complaints were received in the Group, whose main complaint aspects refer to the categories of behavior with our colleagues (44%), and behavior with the company (36.5%). Approximately 44% of the complaints processed during the year ended with the imposition of disciplinary penalties.

The work carried out in **2018** included ongoing advice on applying the Code of Conduct. Specifically, the Group formally received 510 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, 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 115,085 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 subjected to independent review processes, is intended to be a dynamic process in continuous evolution, so that the experience in its application, the changes in the activity and the structure of the Entity and, in particular in its control model, as well as the legal, economic, social and technological developments that occur will facilitate their adaptation and improvement.

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

In order to regulate the identification and management of risks, BBVA has a body of internal regulations made up of principles, policies and other internal arrangements, including:

Principles:

- Principles applicable to the disinvestment processes for BBVA Group goods or services in favor of Group employees.
- Principles to be applied to those involved in BBVA's procurement process.

Policies:

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

Other internal developments:

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

The BBVA 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 in the face of the emergence of risk situations, iv) training and communication programs and plans, v) indicators aimed at understanding the situation of risks and their mitigation and control framework, vi) a whistleblower channel, vii) a disciplinary regime, and viii) a specific government model.

In this context, it should be noted that the Entity takes into account the corruption risk present in the main jurisdictions in which it operates, based on the valuations published by the most relevant international organizations in this area. Additionally, BBVA has provided other specific instruments for the management of basic commitments in each functional area. The most salient of these are:

- Basic risk management principles and the risk management policy manual.
- Rules on dealing with individuals and entities of public importance in matters of finances and guarantees.

Other basic commitments taken Within the general training program in this area, there is an online course that describes matters such as the basic principles related to the Group's prevention framework on anti-corruption that reminds employees of BBVA's zero tolerance policy with respect to any form of corruption or bribery in its business activities. Finally, BBVA obtained AENOR certification, which certifies that its criminal compliance management system is in compliance with UNE 19601:2017 Standard in 2017; this certification was revised in 2018 with satisfactory results.

Other basic commitments acquired by the Group are:

- Rules of conduct in defense.
- Environmental Commitment.
- Responsible procurement policy.
- Commitment to human rights.

Internal control model

Based on best operational risk management practices, BBVA Group has established and maintained an internal control model organized around three **lines of defense** (3LoD), as well as a governance scheme called Corporate Assurance.

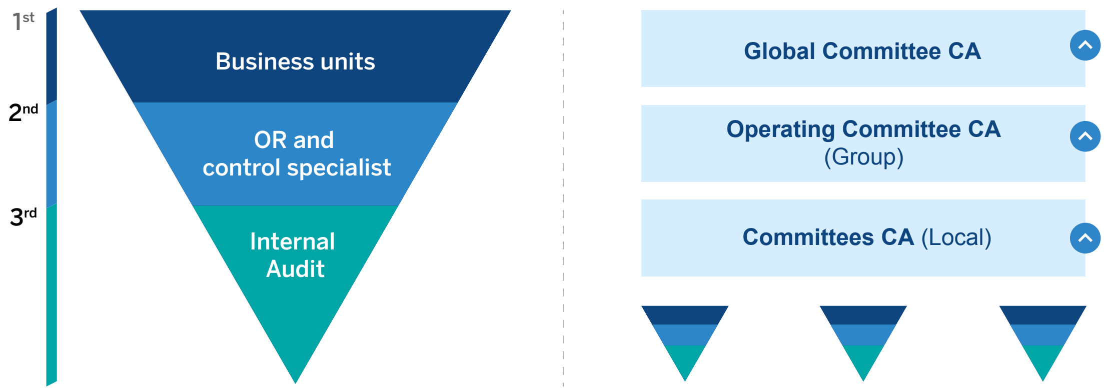
The Group's internal control model has two **components**. The first component is the model based on three lines of defense, which ensures compliance with the most advanced internal control standards and is organized as follows:

- The Group's areas and/or business units constitute the first line of defense. They are responsible for managing current and emerging risks, implementing control procedures and reporting to their unit/business or support area.
- The second line of defense consists of the areas/units specializing in control, the main ones being the following: Compliance, Finance (specifically, Internal Financial Control), Global Risk Management (including, Internal Risk Control) and Engineering (specifically, Internal Operations Control and Internal Technology Control). This line helps identify current and emerging risks, defines the control policies within the scope of its cross-sector aspect, ensures that they are implemented correctly, and provides training and advice to the unit representing the first line. In addition, one of its main functions is to monitor and question the control activity carried out by the first line of defense.

The control activity of the first and second lines of defense will be coordinated by the Global Internal Control Unit within the Global Risk Management area, which will also be responsible for providing these areas/units with a common internal control methodology.

- The third line of defense is made up of the Internal Audit area, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is designed to provide independent and objective assurance and consulting activity intended to add value and improve the Organization's operations. The duties and lines of work of this area are described below..

Internal control model



The second component is the **Corporate Assurance** (CA) scheme, which has the role of providing a comprehensive and standardized approach to the Board of Directors and the management bodies on the Group's internal control situation. This provides timely information on the main control weaknesses that may arise in the different assurance processes and makes it possible to prioritize their solution and monitor the implementation of measures for mitigating them more effectively.

To ensure correct operation, the model includes an orderly mechanism for **reporting** to management. The mechanism is made up of a number of committees that meet every four months, in which members of the senior management of the Group and its subsidiaries take part. The committees seek to discover and make decisions on control issues that may have a significant impact on the objectives of the different areas/units, both at the local level and for the consolidated Group.

Internal Audit

The Internal Audit area depends directly on the Board of Directors. It is completely independent from the functions being audited and is not part of any other activity that may be subject to an audit.

Its **function** is universal in scope and includes all activities and entities in BBVA Group, with no exceptions and irrespective of geographic location or reporting situation. Its scope also extends to the activities and services the Group has outsourced.

This area has unrestricted access to employees, workplaces, systems, IT and physical records and, in general, any information required to perform its functions effectively. It must maintain such information confidential and comply with data protection laws.

A three-year plan was drawn up in 2018 (following on from the one in 2017 and in 2016) in response to the expectations of the main stakeholders. This plan has been based on three core aspects:

- analysis of the inherent risk and level of control of the processes and lines of business;
- coverage of supervisory expectations and compliance with regulatory requirements;
- the Group's Strategic Priorities and emerging risks.

The plan's structure is based on 11 **types of risk**, from which the following main points for action have been derived:

- To cover the main sources of risk in the business model, work has been carried out on defining the indicators linked to the Strategic Priorities, basically non-financial KPIs, as well as monitoring the digital transformation and development strategy of the business in Spain.
- The assessment of internal governance risk includes analysis of the risk appetite framework of the main geographic areas.
- To cover operational risk, the focus has been placed on data governance and information quality, in the operational risk associated with the Group's relevant business processes and analysis of new digital businesses and strategic projects.
- To cover legal risk in the Group the legal risk control framework has been reviewed in a number of geographic areas, as has the management framework for complaints and claims in Spain and Turkey. The main accounting items have also been reviewed (foreclosed assets, deferred tax assets and consolidation adjustments).
- Reviews have been carried out on compliance risk in all functional and geographic areas and the policies for preventing money laundering and terrorist financing have been audited. In addition, work has been done on practices related to sales and commercial incentives in the main areas, as well as market regulation and personal data protection.
- In the area of IT risk, as is the case with previous years, there has been significant work on cybersecurity, as well as the control environment on the cloud platform. The outsourcing lifecycle has been reviewed to cover risks associated with the outsourcing processes in the Group, with the focus on cloud computing and technology suppliers.
- With respect to credit risk there has been a significant review of guarantees and refinancing, as well as the admission and quality of the portfolios for consumer finance, mortgages and developer loans in a number of geographic areas. Also of note is the assessment of the implementation of the International Financial Reporting Standard 9 (IFRS 9).
- With respect to financial risks in market activities, annual revisions of the internal models used by the Group have been carried out to determine the capital charges for market risk.
- Asset and liability risks are covered with respect to liquidity by a review of the interest-rate risk governance and management and control framework, as well as through a triennial review of the internal liquidity adequacy assessment process (ILAAP).
- The framework of the three-year audit plan covers all the internal capital adequacy assessment process (ICAAP), as well as compliance in this matter with local capital adequacy requirements to which the Group is subject in each of the geographic areas in which it operates. In 2018 the economic capital models were also reviewed in the Group as a whole and in Turkey, Colombia and Mexico.

Commitment to human rights

BBVA adheres to a Commitment to Human Rights that seeks to guarantee respect for the dignity of all people and the rights that are inherent to them. This is the perspective under which the bank has decided to identify the social and labor risks that derive from its activity in the different areas and countries in which it carries out its business. Once these risks have been identified, the 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 an essential complement to this management, since the assessment of reputational risks highlights the fact that human rights issues have the potential to affect the bank's reputation.

In order to reinforce this detection and evaluation of risks from a human rights perspective, in 2017, an external consultant carried out a **due diligence process** in all the countries and businesses in which the Group is present, mainly in order to comply with the United Nations Guiding Principles on Business and Human Rights and with the responsibility of **preventing, mitigating, and remedying the potential impacts on human rights** in all of its operating environments and in all its businesses. The procedure used to identify and evaluate these risks or impacts was based on the aforementioned Principles. In this manner, guidelines were followed that indicate that companies must activate due diligence processes through three fundamental steps:

- Identify the potential impacts of their operations on human rights;
- Design mechanisms within the company to prevent and mitigate these; and,
- Provide channels and processes that ensure that, in case of violation, there are adequate mechanisms in place to ensure that victims are compensated.

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

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

1. Policy and structure

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

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

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

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

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

Likewise, the CEO, with the support of senior management, decides on its definition and updating within the framework of the CSR Policy approved by the Board of Directors.

2. Training and cultural transformation

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

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

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

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

Within the framework of the **diversity and inclusion plan** for employees and with a focus on gender diversity, three lines of action have been strengthened during 2018: i) promoting transparency using new metrics, ii) promoting these issues in the corporate culture, iii) mitigate the glass ceiling, for example with the extension of the Rooney Rule to all Group vacancies.

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

3. Process improvement

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

From the point of view of suppliers, BBVA has a responsible purchasing policy and an ethical code of suppliers (more information on this can be found in the **suppliers** chapter) and, during 2018, reinforced compliance with the Commitment to Human Rights with the integration of the prism of human rights in the evaluation of suppliers in the approval process.

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

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

4. Business and strategy alignment

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

A social and environmental framework was developed from the perspective of **customers**, launched in 2018, in which specific rules were developed for the financing of sensitive sectors (mining, energy, agro-industry and infrastructure). The Responsible Business Department function became part of the new products and business committees in Spain, Mexico, the United States, Colombia, Peru, Turkey and Venezuela.

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

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

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

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

An important milestone in 2018 was the launching of the **Responsible Banking Principles** to which BBVA has adhered as one of the sponsors and founding banks for the initiative. Under the auspices of the United Nations, these Principles are put forth with the aim of providing a sustainable financing framework and supporting the sector in a manner that shows its contribution to society. In this sense, the implementation guidelines expressly mention the importance of integrating the Guiding Principles of Business and Human Rights, in the implementation of the six principles, which are: 1. Alignment, 2. Impact, 3. Clients and Customers, 4. Stakeholders, 5. Governance and target setting, and 6. Transparency and Accountability.

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

Social Housing Policy in Spain

Since the beginning of the crisis, BBVA seeks to explore all of the refinancing possibilities available based on the customer's ability to pay, with the main objective of maintaining their home. This is what BBVA has done with 76,538 customers in 2018. Any situation may be brought to the attention of the Protection Committee of the Mortgage Provider, which analyzes all cases that might occur with regard to customers or their families, any circumstances involving risk of exclusion that is not covered under the Law, offering individual solutions that depend on the particular circumstances of each family (refinancing, debt cancellation, payment in kind, rent in social housing available directly from the Bank, etc.). In this sense, BBVA has made more than 29,000 dations in payments to its customers.

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

In 2018, BBVA transferred its real-estate business to Cerberus Capital Management. The scope of the Social Housing Policy in Spain has adapted to this new situation accordingly as a result and is now aimed at offering solutions that are adapted to the holders of mortgage loans who are experiencing difficulties in the payment of said loans. BBVA has signed collaboration agreements with public entities for approximately 2,500 homes.

Fiscal transparency

Fiscal strategy

In 2015, the BBVA Board of Directors approved the **Corporate Principles in BBVA's Tax and Fiscal Strategy**.

The strategy forms part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Group behaves with respect to taxes. This strategy has a global scope and affects everyone who is part of the Bank. Compliance with the strategy is very important, given the scale and impact that the tax contributions of large multinationals such as BBVA have on the jurisdictions where they operate.

Effective compliance with the tax strategy is duly monitored and supervised by BBVA's governing bodies.

Accordingly, BBVA's **fiscal strategy** consists of the following basic points:

- BBVA´s decisions concerning fiscal-related matters are determined by the payment of taxes, given that they contribute heavily to the economies of all the jurisdictions in which it operates. Tax payments are aligned with effective business practices and the generation of value in the different countries in which BBVA operates.
- Active adaptation to the new digital environment, also in terms of taxation, through the incorporation of virtual presence into the generation of value, and its consequent valuation.
- The establishment of reciprocal cooperative relations with tax authorities that are based on the principles of transparency, mutual trust, good faith and fairness.
- Promotion of a clear, transparent and responsible reporting strategy to stakeholders on its main fiscal-related matters.

Governance Model and Fiscal Risk Management

BBVA has a model of government in matters tributary and control mechanisms of fiscal risk.

The fiscal strategy has been implemented through fiscal policies provided to all Group employees, and complaints channels have been set up for use in the event of non-compliance with the Code of Conduct and/or the 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 (the Audit and Compliance Committee and the Board) 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.

In the 2018 financial year, once again BBVA 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, an initiative from the United Kingdom describing the approach expected to be taken by financial institutions in terms of governance, tax planning and engagement with the British tax authorities, in order to promote the adoption of best practices in taxation matters. In 2017, BBVA published its fiscal strategy for the United Kingdom on its 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 providing full **transparency** in tax payments, which is why once more this year the Group has voluntarily disclosed all major tax payments in the countries where it has a significant presence, as it has done every year since 2011.

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

Global Tax contribution (BBVA Group. Millions of euros)

	2018	2017
Own taxes	4,502	4,106
Third-party taxes	5,250	5,775
Total tax contribution	**9,752**	**9,881**

Offshore financial centers

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

In this respect, in **2018** the Group closed the branch in the Cayman Islands so, as of December 31, 2018, BBVA's permanent establishments registered in offshore financial centers considered tax havens both from the perspective of the OCDE as of the Spanish regulations, are the issuers of securities: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

Branch at offshore entities (BBVA Group. Millions of euros)

Main figures of the balance sheets	31-12-18	31-12-17
Loans and advances to customers, net		1,499
Deposits from customers		1,144

Issuers of securities

The BBVA Group has four issuers registered in Grand Cayman, two of them from the Garanti Group.

Issuances outstanding at offshore entities (BBVA Group. Millions of euros)

Issuing entities	31-12-18	31-12-17
Subordinated debts [(1)]		
BBVA Global Finance LTD	175	162
Other debt securities		
Continental DPR Finance Company [(2)]	48	59
Garanti Diversified Payment Rights Finance Company	1,793	1,879
RPV Company	1,329	1,262
TOTAL	**3,345**	**3,362**

[(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

The BBVA Group applies risk management **criteria and policies** to all its permanent establishments in offshore financial centers that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of the BBVA Group's permanent establishments in offshore financial centers, BBVA's **Internal Audit** Department checks the following: i) that their activities match the definition of their corporate purpose, ii) that they comply with corporate policies and procedures in matters relating to knowledge of the customers and prevention of money laundering, iii) that the information submitted to the parent company is true, iv) and that they comply with tax obligations. In addition, every year a specific review of Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centers is performed.

In 2018, BBVA's **Compliance and Internal Audit** Departments have supervised the action plans deriving from the audit reports on each one of these centers.

For 2018, 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 (BBVA Group. Millions of euros)

	2018				2017			
Country	CIT payments cash basis	CIT expense consol	PBT consol [1]	Subsidies	CIT payments cash basis	CIT expense consol	PBT consol [1]	Subsidies
Spain	534	383	1,295	-	454	137	(856)	-
The United States	165	188	977	-	154	274	805	-
Mexico	903	902	3,241	-	795	798	2,946	-
Turkey	422	269	1,225	-	354	426	1,902	-
Colombia	85	117	355	-	101	86	299	-
Argentina	32	116	66	-	51	89	443	-
Peru	146	163	584	-	151	142	528	-
Venezuela	-	20	2	-	3	20	12	-
Chile	365	43	205	-	99	66	317	-
Uruguay	15	6	37	-	25	10	35	-
Paraguay	9	3	35	-	6	4	35	-
Bolivia	2	2	9	-	2	2	7	-
Brasil	-	-	-	-	-	1	4	-
Curaçao	-	-	6	-	-	-	2	-
Romania	1	4	38	-	2	2	35	-
Portugal	6	27	59	-	5	31	42	
Netherlands	7	5	20	-	2	13	48	-
Switzwerland	9	1	4	-	3	2	7	-
Finland	-	-	(12)	-	-	-	(8)	-
Ireland	-	2	10	-	2	-	11	-
United Kingdom	3	2	21	-	1	18	44	-
Hong Kong	-	1	14	-	-	-	16	-
France	14	12	36	-	15	9	36	-
Italy	8	8	29	-	4	15	43	-
Germany	17	1	16	-	25	13	29	-
Belgium	-	-	2	-	-	-	(1)	-
China	-	-	(1)	-	-	-	(2)	-
South Korea	-	-	-	-	-	-	(1)	-
Singapur	1	1	7	-	1	1	5	-
Japan	-	-	-	-	-	-	(4)	-
Taiwan	-	-	(2)	-	-	(1)	(4)	-
Luxembourg	-	-	-	-	2	-	(1)	-
Chipre	3	7	30	-	2	4	17	-
Malta	6	10	136	-	2	6	140	-
Poland	-	-	2	-	-	1	-	-
Total	**2,753**	**2,295**	**8,446**	**-**	**2,261**	**2,169**	**6,931**	**-**

Nota: 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.

During 2018, 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 Consolidated Financial Statements.

Suppliers

BBVA understands that integrating ethical, social and environmental factors into its supply chain is part of its responsibility. Thus, in 2018, BBVA has reinforced the three basic pillars of the Group's Procurement Model with the end of the transformation of the procurement function. These pillars include:

- service orientation, maximizing the quality and experience of internal customers,
- limitation of reputational risk in contracting suppliers, and
- contribution to efficiency, through the active management of both costs and suppliers.

Essential data about suppliers (BBVA Group [1])

	2018	2017
Number of suppliers [2]	4,620	4,563
Volume provided by suppliers (millions of euros) [2]	7,478	7,077
Average payment term to suppliers (days)	22	23
Suppliers satisfaction index [3]	n.a.	82
Number of approved suppliers	5,819	4,895

n.a. = not applicable.

[1] Supplier´s data exclude the information about Turkey.

[2] Payments to third parties. Suppliers lower than 100,000 euros are not included.

[3] Bienal survey.

Within the procurement process, it is necessary to correctly manage all effects that a bank such as BBVA may cause, both real and potential. BBVA has a series of **mechanisms and standards** designed to manage these **impacts**: Responsible Procurement Policy, Approval Process, and the Corporate Standard for the Acquisition of Goods and the Contracting of Services. These impacts may be environmental, produced because of poor labor practices of suppliers, arising from the lack of association freedom, against human rights, and positive or negative on society.

During 2018, the implementation of the Supplier Code of Ethics was consolidated in all purchasing units in all the countries where the Group is present, establishing minimum standards of behavior that suppliers are expected to follow in terms of ethical, social and environmental conduct when they provide products and services. Along with 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 included 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, etc.
- Compliance with current legislation on the social integration of individuals with disabilities.
- Clauses that ensure that non-discrimination policies are established for reasons of gender, as well as measures to reconcile work and family life.
- Equality clause.
- Compliance with all labor, occupational health, and safety legislation.
- Anti-corruption statement.
- Adherence to the United Nations Global Compact.

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

Supplier management

BBVA carries out an **approval process** for recurring suppliers with higher purchase volumes. The financial, legal, labor and reputational situation of the suppliers is assessed during this approval process, in order to determine whether they fulfill their legal responsibilities as well their basic technical capacities, which makes it possible to validate that they share the same values as the Group in terms of social responsibility. In this process, suppliers must comply with the following points:

- Compliance with the social and environmental principles of the UN.

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

Approval is reviewed periodically and is subject to continuous monitoring. The percentage of approved suppliers is 29%, which account for 85% of the total awarded.

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

With regard to **local** suppliers, these represent 97.7% of BBVA´s total providers in 2018 which represents 94.6% of the total turnover, which facilitates contributions to the economic and social development of the countries in which the Group is present (Uruguay is excluded from the scope, since the breakdown by local suppliers is not available). The local supplier, in this context, is one whose tax identification matches the country of the company receiving the goods or service.

On the other hand, the turnover of **special employment centers** (CEE, for its acronym is Spanish) in Spain to the Bank is estimated at more than €3.2 million for the year. The hiring of CEEs favors inclusion and diversity.

BBVA performs supplier audits in which the quality of the service provided by them is evaluated in accordance with the provisions of the contracts and the Bank's needs.

Number of suppliers and turnover by country

Suppliers (1) and annual turnover (2)	2018 Number of suppliers	2018 Annual turnover (millions of euros)	2017 Number of suppliers	2017 Annual turnover (millions of euros)	2016 Number of suppliers	2016 Annual turnover (millions of euros)
Spain	1,308	2,667	1,377	2,381	1,240	2,457
The United States	809	683	576	443	489	704
Turkey	1,258	3,033	1,182	2,957	1,142	3,381
Mexico	n.av.	n.av.	n.av.	n.av.	n.av.	n.av.
Argentina	382	421	520	569	408	458
Chile	153	93	224	178	242	171
Colombia	213	229	208	190	180	198
Peru	281	246	272	232	285	246
Venezuela	63	34	60	59	81	61
Paraguay	51	18	44	15	49	16
Uruguay	50	26	55	27	54	27
Portugal	52	27	45	25	70	31
Total	**4,620**	**7,478**	**4,563**	**7,077**	**4,240**	**7,751**
Total suppliers (3)						
Spain	28,065	2,827	29,395	2,553	14.020	2.588
The United States	12,890	755	2,603	476	2.073	731
Turkey	7,703	3,153	6,962	3,067	5.988	3.486
Mexico	n.av.	n.av.	n.av.	n.av.	n.av.	n.av.
Argentina	2,294	455	2,448	608	2.262	491
Chile	980	106	1,357	196	1.462	190
Colombia	2,484	255	2,683	215	2.827	223
Peru	3,754	273	3,231	261	2.972	274
Venezuela	911	38	696	64	869	68
Paraguay	1,069	24	984	22	1.119	23
Uruguay	552	33	523	33	567	33
Portugal	732	33	803	61	844	38
Total	**61,434**	**7,952**	**51,685**	**7,555**	**35.003**	**8.144**

n.av. = not available.

(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 suppliers (1) (Days)

	2018	2017	2016
Spain	46	50	47
The United States	4	4	4
Mexico	15	16	21
Argentina	34	34	34
Chile	29	29	26
Colombia	30	19	13
Perú	11	11	26
Venezuela	25	28	26
Paraguay	30	30	30
Uruguay	3	4	5
Group average (2)	**22**	**23**	**23**

(1) Average pyment 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 ina a ponderation between the different geographies as is not possible to be done taking the whole invoice data.

Information from Turkey and Portugal is not available.

Sustainable finance

Sustainable financing

Management of environmental and social impacts

Engagement with global initiatives

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, issuance and advisory functions. They have effective measures in place to help tackle these challenges: firstly, providing innovative solutions to help customers transition to a low-carbon economy and driving sustainable finance; and, secondly, systematically incorporating **social and environmental risk** into their decision-making processes.

BBVA's commitment to sustainable development is reflected in its global-reach environmental Commitment. In 2018, BBVA announced its strategy on climate change and sustainable development to help the Bank meet the United Nations Sustainable Development Goals and achieve the objectives of the Paris Agreement on climate change. **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 billion in green finance, sustainable infrastructure and agribusiness, entrepreneurship and financial inclusion.

2. To manage the environmental and social risk associated with the Bank's activity, to minimize potentially negative direct and indirect impacts.

3. To engage all stakeholders to increase the financial sector's collective contribution to sustainable development.

BBVA's environmental Commitment and strategy on climate change and sustainable development are both approved by the Chief Executive Officer and backed by senior management.

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 mobilize the necessary capital to curb climate change and achieve the Sustainable Development Goals. To this end, it has pledged to mobilize € 100 billion in **sustainable financing** between 2018 and 2025.

Pending publication of the European Commission's taxonomy proposal on sustainable finance, the Bank has used leading frameworks such as the Green Bond Principles and Social Bond Principles, as well as the Sustainable Development Goals, to determine the Bank's level of sustainable financing. In addition, it has created a platform for identifying this sustainable balance sheet and following up on the commitments made, all the while ensuring a robust and traceable process.

In accordance with these standards, three **types** of sustainable financing have been defined:

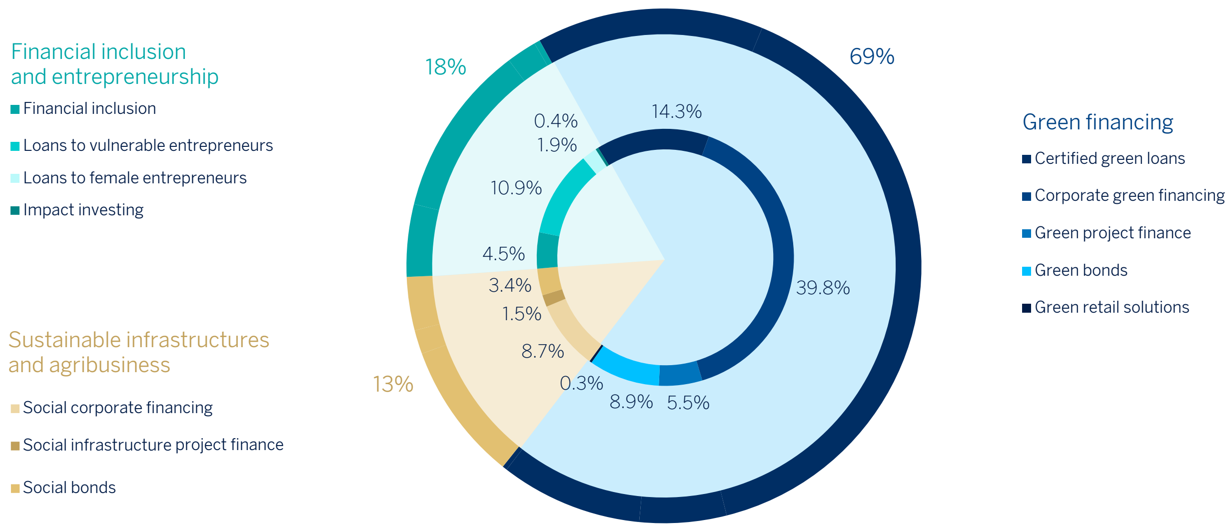
- Green financing for the transition to a low-carbon economy:
  - Certified green loans.
  - Corporate financing to customers that undertake more than 80% of their activities in green sectors, according to the Green Bond Principles: renewable energy; sustainable water and wastewater management; clean transportation; and energy efficiency.
  - Green project finance related to some of the aforementioned categories.
  - Green bonds intermediated as a book runner.
  - Green solutions for retail customers.
- Green infrastructure and agribusiness:
  - Corporate financing to customers that undertake more than 80% of their activities in social sectors, according to the Social Bond Principles: health, education, community support and affordable housing.
  - Social infrastructures project finance.
  - Social bonds intermediated as a book runner.
  - Sustainable agribusiness.
- Financial inclusion and entrepreneurship: loans to low-income communities, vulnerable micro-entrepreneurs and female entrepreneurs; new digital models and impact investments.

In 2018, the first year of its commitment, BBVA mobilized € 11,815 million in sustainable financing, distributed as follows:

Sustainable financing (BBVA. Millions of euros)

	2018 production	2025 Pledge
Green financing	**8,126**	**70,000**
Certified green loans	1,684	
Corporate green financing	4,708	
Green project finance	645	
Green bonds	1,055	
Green retail solutions	35	
Sustainable infrastructures and agribusiness	**1,601**	**18,000**
Social corporate financing	1,028	
Social infrastructure project finance	177	
Social bonds	397	
Financial inclusion and entrepreneurship	**2,087**	**12,000**
Financial inclusion	537	
Loans to vulnerable entrepreneurs	1,283	
Loans to female entrepreneurs	224	
Impact investing	43	
Total	**11,815**	**100,000**

Note: This table includes the activity undertaken by CIB, Enterprises and Institutions Banking and Consumer Finance in Spain, the BBVA Microfinance Foundation and the financial inclusion business areas in Mexico and the United States. BBVA will continue working in 2019 to grow its sustainable activity across the Group.



BBVA has the means, knowledge and experience to provide its customers with superior advice on sustainable finance **solutions**, and has once again led the way in this market in 2018.

Sustainable bonds

BBVA is one of the Spanish entities with most experience in providing **advice** on bonds to its customers, an activity that it launched in 2007 when it participated in the issuance of the first green bond by the European Investment Bank. Since then, BBVA has led, structured, advised and placed **green and social bonds** in Europe, the United States and Latin America for companies, financial institutions and public sector entities that have assumed a nominal amount issued of more than € 25 billion.

In 2018, BBVA maintained its good position in this market, acting as the book runner in 13 deals representing the placement of € 7.1 billion, with BBVA's share in such deals totaling € 1.5 billion. Most notable among these deals are the inaugural green bonds issued by ACS SCE, EnBW, the Basque Government, Aguas Andinas and Commerzbank, the second green bond issued by ADIF AV, and the second sustainable bond issued by the Autonomous Community of Madrid.

The Bank also emerged as a lead issuer of bonds of this kind after it unveiled its framework for the issue of SDG-linked sustainable bonds, as an intrinsic part of its commitment to **sustainable issues**, allowing it to mobilize funds for projects in sectors aligned with its 2025 Pledge. This **framework** was recognized in the 2018 Global Capital Sustainable and Responsible Capital Markets Awards as the Best Designed Green/SRI Debt Framework. BBVA also became the issuer of the largest ever green bond (€ 1 billion) by a eurozone financial institution to that date. BBVA Bancomer also became the first private bank to successfully issue a green bond in Mexico, for a total of MXN 7 billion. In addition, Garanti Bank issued the first social bond in Turkey for female entrepreneurs, in collaboration with the International Finance Corporation, for a total of USD 75 million.

Sustainable corporate loans

BBVA is a leader in the corporate green loans business. In 2018, the Bank released a comprehensive portfolio of innovative sustainable finance solutions in the form of **certified loans**, which established it as a reference point for the rest of the world. In fact, BBVA contributed € 14.3 billion to 23 operations in countries including the United States, Mexico, Peru, Spain, Italy and Turkey, in the form of corporate syndicated, bilateral and project finance loans, linking price to sustainability indicators in many cases. Of these operations, 17 were led by BBVA, which directly provided € 1.85 billion. All of them were independently certified. Of particular note were:

- The world's largest syndicated green financing project in the form of revolving credit facilities in favor of Iberdrola, for a total of € 5.3 billion, with BBVA acting as book runner and the sole sustainable agent. The particularity of this deal is that it included an adjustment mechanism linking the interest rate to the company's CO_2 emissions.
- The first syndicated green loan for an insurer, MAPFRE, amounting to € 1 billion. This operation has the unique feature that the interest rate is linked not only to MAPFRE's credit rating, but to its progress in terms of sustainability criteria.
- The first syndicated loan provided to an airport operator, Aena, for € 800 million as a revolving credit facility. In this operation, the interest rate is linked both to the company's credit rating and to its performance in terms of sustainability, as assessed by an independent third party.

- Green financing in the form of a € 196 million loan provided to Forestalia, Mirova, GE and Engie, for the construction of a complex of nine wind farms in Spain (project Goya).
- The first syndicated green loan in favor of a gas utilities company, SNAM, in the amount of € 3.2 billion. In this case the interest rate is linked to the company's fulfillment of environmental indicators.
- The syndicated sustainable revolving credit facility in favor of A2A, worth € 400 million. The syndicated loan uses a groundbreaking ESG performance-based mechanism, and is also linked to two environmental indicators: the company's waste management capacity, and the volume of renewable energy it sells in the wholesale market.
- The first sustainable revolving credit facility in Italy with Hera, worth € 200 million. This is the first sustainable operation of its kind in the country.
- The first syndicated green loan in the United States with a revolving credit facility structure in favor of AVANGRID, valued at USD 2.5 billion. The operation includes an innovative price-adjustment mechanism based on the continuous reduction of AVANGRID's emission intensity.
- The first syndicated green loan in Latin America, signed with Iberdrola Mexico for a total of USD 400 million, for the re-financing and construction of three wind farms.
- The first corporate green loan in Peru and in South America as a whole to Ferreycorp, for USD 70 million.
- The first green loan provided to a company in the real estate sector, GMP, for € 68 million.
- The first green loan to a company in Spain's distribution sector, the cooperative Consum, worth € 5 million. This loan is intended to finance energy efficiency measures in the company's new and existing supermarkets.
- The world's first green buyer's credit with CESCE coverage, for € 16.5 million, in favor of Hidralpor. The loan is intended to support implementation of the "Hydroelectric Mine School Project" in Colombia.

Sustainable corporate financing

BBVA also promotes sustainable financing, by providing corporate financing to customers in specific sectors:

- Corporate **green** financing provided to customers that undertake more than 80% of their activities in green sectors — according to the Green Loan Principles: renewable energy; sustainable water and wastewater management; clean transportation; and energy efficiency. In 2018, the Group provided € 4.7 billion in corporate green financing.
- **Social** corporate financing, provided to customers that undertake more than 80% of their activities in social sectors — according to the Social Bond Principles: health, education, community support, social housing and sustainable agribusiness. In 2018, the Group provided € 1 billion in sustainable infrastructure financing.

Advice and Sustainable Transactional Banking

BBVA is the only bank in Spain with a Corporate Finance team (its M&A unit) dedicated to **renewable energy** transactions, and is also one of the world's most active banks in this 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 2018, BBVA worked on a sustainable transactional product framework linked to the United Nations Sustainable Development Goals, based on which the transactional banking operations of its customers may be classified as either green, social or sustainable.

Sustainable project financing

BBVA has been committed to the renewable energy sector for years. In 2018, the Group provided € 645 million in funding for renewable energy projects, including the financing of a 950-MW offshore wind farm in the United Kingdom, a portfolio of 130 photovoltaic plants in Italy, and 7 wind farms in Spain. The Bank also provided € 177 million in funding for sustainable infrastructure projects in 2018.

Sustainable solutions for retail customers

BBVA offers sustainable solutions for retail customers in various countries.

In Spain, it offers lines of credit to small businesses and individuals to purchase hybrid and electric vehicles, install **renewable energy** solutions and improve energy efficiency in buildings. In 2018, it also launched a line of consumer credit for the purchase of electric or hybrid cars in collaboration with the European Investment Bank, and continues to explore green solutions and products for retail customers, mainly in the consumer, mortgages, advice, consumer finance and BBVA de Compras sectors. The goal is for customers to have a green offer for all of the major products. The plan for 2019 is to continue working on the development and implementation of this type of solution.

For its part, Garanti in Turkey continues to support the green mortgage market, under the agreement with the International Finance Corporation (IFC) for the purchase of energy-efficient homes. In addition, since 2016, it has offered a green loan for the purchase of hybrid and electric cars.

Financial inclusion

BBVA is aware that greater financial inclusion has a favorable impact on the welfare and sustained economic growth of countries. The fight against financial exclusion is therefore consistent with its ethical and social commitment, as well as 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.
- Innovative, low-cost financial solutions designed for this segment.

At the close of 2018, BBVA had 8.4 million customers in this segment.

The main **initiatives** implemented over the course of the year have been:

- In Mexico, short-term microcredit, known as salary advances, reached a monthly average of 10,000 loans placed. The number of life insurance contracts taken out at ATMs reached 250,000.
- In Colombia, the Bank launched an online account, simplifying the registration process for customers in the financial inclusion segment. In addition, it extended its physical customer support network, culminating in 8000 new service points to meet the transactional needs of customers in this segment.
- In Peru, the functionality of the digital wallet app, BIM, has been expanded so that users are now able to withdraw cash from participating agents and ATMs.

As part of its Community Reinvestment Act (CRA) program, BBVA Compass offers a wide range of financial products and services specially designed for the low-income communities in which it operates. In 2018, it provided € 391 million in mortgages under this program.

Entrepreneurship

In 2018, the **BBVA Microfinance Foundation** continued its work to promote the economic, social, sustainable and inclusive development of disadvantaged people through productive loans. This model seeks to foster the development of its customers and offers participating entrepreneurs a customized service by offering not only financial products and services, but also advice and training related to the financial planning and management of their small businesses.

Since the Foundation was set up, it has disbursed an aggregate volume of USD 11.775 billion to low-income entrepreneurs in Latin America to upscale their production operations. It is now one of the largest private philanthropic initiatives in the region. The Foundation works with six microfinance institutions across five Latin American countries: Colombia, Peru, Dominican Republic, Chile and Panama.

During 2018, the BBVA Microfinance Foundation and its more than 8,000 employees, served more than two million customers, 57% of whom were women, which directly contributes to reducing gender inequality, and it now continues its work on reaching the geographic areas with the greatest needs. The total value of microcredit extended in 2018 was € 1.283 billion, averaging EU € R 1.134 per loan.

The BBVA Microfinance Foundation activity is published annually in its social performance report, "Measuring what really matters," available on its website.

For its part, Garanti continues to support the inclusion of women in the Turkish labor market as part of its Women Entrepreneur program. Under this program, the Bank provided € 224 million in loans to female entrepreneurs in 2018.

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, Gestión de Previsión y Pensiones. The **goal** then was to start building BBVA's own SRI model from the ground up, with the initial implementation focused on employment pension funds. Ten years later, the Bank continues to work on improving its model, making it more comprehensive and robust every day.

In **2018**, 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. In this vein, it maintains various training programs, for example, holding events that are streamed and available on its website, preparing regular newsletters on SRI issues, also available on the BBVA AM website; and, most notably, through personalized meetings with its customers to respond to the different concerns that may arise in this area.

The **strategies** implemented by the BBVA AM SRI model are:

1. Integration of ESG criteria in the investment process, by developing its own model that incorporates non-financial criteria into a model portfolio, based on a fundamental analysis.

2. Exclusion: Rules of conduct in defense: applicable to all BBVA Group units and subsidiaries, including asset managers and employment pension funds. In their application, BBVA uses company and country exclusion lists.

3. ESG analysis of third-party funds, including questions about their actions in terms of SRI and their status as signatories to the UN PRI.

4. Engagement and exercise of political rights.

BBVA offers a range of **SRI solutions** in response to growing demand from responsible investors:

- **BBVA Futuro Sostenible ISR** (former BBVA Solidaridad) is a mixed fund that has experienced a strong change in its investment process in order to have full integration of socially responsible investment criteria in all its asset classes. It has an investment mainly in fixed income. During 2018 there have been additional donations from BBVA Solidaridad, due to the change in the donation scheme with the change to BBVA Futuro Sostenible ISR.

- **BBVA Bolsa Desarrollo Sostenible ISR** is an equity fund that combines fundamental analysis criteria through investing according to SRI criteria. The fund also makes an annual donation of EUR 15,000 to FIMA (*Fundación para la Investigación Médica Aplicada* — Foundation for Applied Medical Research), to finance research projects.

- **B+EDUCA** is a fixed-income fund that allocates 25% of the monthly returns directly to the *Por los que se quedan* (For those left behind) integration grant program in Mexico. BBVA Bancomer also charges a lower fee for funds of this kind, and makes direct contributions to this grant program.

- **BBVA Leer es estar Adelante** (Reading Means Keeping Ahead) was the first mutual fund in Peru to support a social cause. This is a fixed-income fund through which investors donate one tenth of the share value (fund price) to the BBVA Continental Foundation program, *Leer es estar adelante* (Reading Means Keeping Ahead). For its part, BBVA Asset Management Continental is committed to contributing the equivalent in dollars for each tenth of the share value, in addition to the investor's donation.

Assets managed under SRI criteria, per investment vehicle (BBVA Asset Management. 31-12-2018)

	Mutual funds	Individual pension plans and EPSVs (Entidades de Previsión Social Voluntaria - voluntary social benefit entities)	Employee pension plans and EPSVs
Total assets managed (millions of euros)	39,183	16,443	8,044
SRI Strategy			
Integration (%)	0.18% (1)	5.41%	21.88%
Exclusion (%)	100%	100%	100%
Vote (%)	100%	100%	100% (2)

Note: EPSVs refer to Voluntary Social Welfare Entities.

(1) It refers to BBVA Desarrollo Sostenible ISR fund and BBVA Futuro Sostenible, which are totally managed under the integration strategy.

(2) It refers to the 100% of the funds that have delegated the vote to the asset manager.

Amount donated, volume and solidarity fund investors (BBVA Asset Management. 31-12-2018)

	Donation generated by solidarity funds (euros)	Volume (millions of euros)	Investors
BBVA Solidaridad/ Futuro Sostenible ISR	60,246	21	636
BBVA Bolsa Desarrollo sostenible ISR	15,000	50	5,196
B+Educa	13,876,293	728	37,735
Leer es estar adelante (Reading Means Keeping Ahead)	2,590	10	103
Total	**13,954,129**	**808**	**43,670**

Social and environmental impact management

As a financial institution, BBVA directly impacts the environment and society through the use of natural resources in its operations; and indirectly, through its lending activity and the projects it finances.

In its 2025 Pledge, BBVA has committed to managing **environmental and social risk** in order to mitigate any potential direct and indirect negative impacts linked to its activity, in line with its commitment to human rights updated in 2018 (see chapter on Responsible Practices).

BBVA's strategy in terms of environmental and social risks aims to gradually integrate their management into the Group's Risk Management Framework, in order to mitigate these risks based on the principle of **prudence**. Accordingly, the Bank has developed a series of tools and methodologies to strengthen its ability to identify, assess and manage these types of risks.

New Sector Norms

In 2018, BBVA published its new sector norms setting out the due diligence to be performed on four sectors with a **high environmental and social impact**: mining, energy, infrastructure and agribusiness. These standards provide clear guidance on the procedures to follow when managing customers and transactions in these sectors. Steps were taken this year to assess the alignment of all customers in the four sectors mentioned above with these standards, which will allow us to better understand their sustainability strategies.

BBVA maintains an ongoing dialog with its various stakeholders to bring the standards into line with their expectations. As such, the standards will be reviewed on an annual basis.

Climate Risk Management

In addition to setting industry standards and limits in key sectors as a way of managing climate risk, in 2018, BBVA made progress in the analysis of **climate change** risks as part of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that differentiate between two types of risk: transition and physical.

Transition Risks

These are risks that may result from the **transition** to a low-carbon economy and any ensuing policy changes and technological, market or reputational developments. They can affect the income, cash flows and balance sheets of companies, and therefore their profits, assets and financing capacity. This then has an impact on their risk profile with regard to their relationship with the Bank.

BBVA's goal is to develop a methodology that will help to build the necessary tools within the Bank to be able to incorporate these climate-related risks within its business decisions and within the Group's risk model.

For this, 3 lines of work have been established:

- First, a scenario and pathways analysis to a low-carbon economy, calibrating the model using Oliver Wyman tools and processes. The objective is to assess BBVA's financial impact resulting from the transition risk.
- Second, development of a methodology to assess the degree of alignment of loan portfolios in leading sectors with the Paris Agreement. This line of action will be carried out jointly with the 2° Investing Initiative using the PACTA tool within the framework of the Katowice Commitment.
- Third, a new line that will start in 2019, incorporating qualitative and quantitative information into the main industry frameworks regarding transition risk.

Scenario Analysis and Stress-Testing

The Oliver Wyman tool created as part of the UNEP FI framework initiative, together with a working group of 15 other banks, proposes scenario analysis for use in sectors that are of particular relevance to BBVA's portfolio and that are associated with possible climate-related transition risks. This **methodology** (from the TCFD pilot) aims to narrow down the almost infinite number of variables that can arise around climate change using an analysis based on predictions from different models and provides different changes in the markets used for each scenario. As a reference, BBVA used the outcomes given in the International Energy Agency's Sustainable Development Scenario (SDS), which is the closest to the 1.5°C target.

The difficulty lies in objectively converting those changes to financial indicators. The use of **risk pathways** is therefore recommended as a way to study how these changes would affect specific indicators that are relatable to businesses. The four pathways used are:

- Increase in the cost of direct emissions
- Increase in the cost of indirect emissions
- Increase in capital costs associated with a transition to a low-carbon economy

- Variations in revenues.

For the stress-testing, BBVA chose to further define which events might cause changes to the stress situations and to analyze the different possibilities offered by the scenarios. A matrix was created for this to separately analyze different events. It analyzes their impact on the different stressors, and this is weighted by the probability of these events occurring in the medium term. The result of this analysis is the average **impact** in each stress situation that has been transferred to the model used within the framework of the UNEP FI pilot.

The events analyzed are the following:

- Fall in demand for fossil fuels and rise in the price of fuel.
- Increased cost of CO_2 emissions.
- Increase in diesel tax.
- Change in market preferences.
- Replacement of obsolete technology.

To simulate this outcome, the model is calibrated by studying a range of customers. Calibration can be performed by estimating how the customer's rating will vary depending on its environmental performance or, alternatively, by evaluating how the probability of default (PD) will be modified. BBVA opted to use rating variations basing its predictions on those provided by the Carbon Disclosure Project (CDP).

The customers selected for this calibration are those with the highest turnover in each sector. Customer groups were selected and companies belonging to those groups were included in the analysis.

The Oliver Wyman model analyzes the changes in PDs for each sub-sector based on environmental models for the coming years. The result of this analysis will be used to determine how customer financing and investment decisions should be redirected, if necessary.

The selected sectors in this first phase were oil & gas, utilities and transportation, as they are considered the most relevant both for BBVA and for climate change.

The results obtained from this study will be published in a special report in 2019.

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 achieve this objective, it has joined forces with ING, BNP Paribas, Société Générale and Standard Chartered in a joint initiative to develop methodologies to **evaluate portfolios** in sectors with the highest impact and gradually align them with the goals set in the Paris Agreement on climate change. The initial methodology that is going to be used is PACTA, developed by the 2° Investing Initiative think tank.

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.

This methodology is due to be piloted in 2019 in the oil & gas, utilities and vehicle manufacturing sectors.

As a preliminary step and following the recommendations of the TCFD, BBVA is one of the first banks to have published its exposure to sectors associated with fossil fuels (table attached).

The PACTA methodology offers a more in-depth analysis: firstly, by offering a more rounded assessment of BBVA's exposure to key sectors and their alignment with the Paris Agreement; and secondly, as a basis for subsequently establishing a target path for each of those sectors which may be consistent with Science Based Targets.

The relevant metrics in all three of the chosen sectors to monitor customers' performance are:

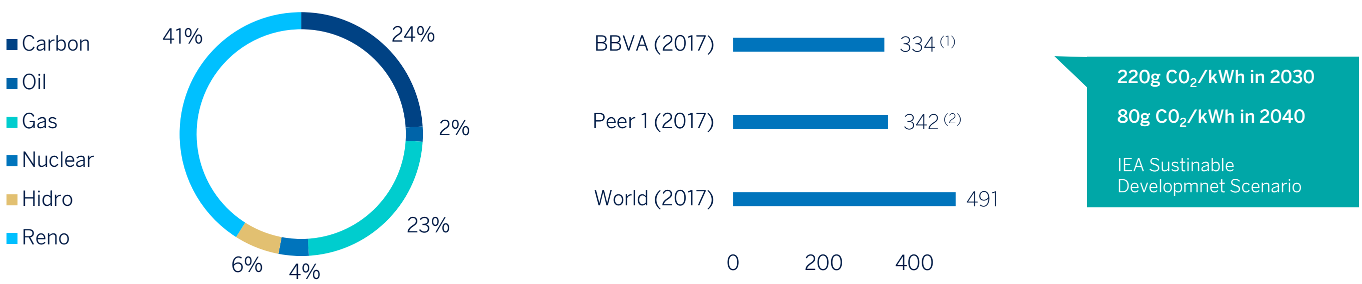
- Oil & Gas: product mix
- Utilities: product mix and intensity of CO2 emissions/kWh
- Transport: CO2 emissions of the fleet per km (standardized by the NEDC standard)

BBVA reports on the product mix and intensity of CO_2 emissions/kWh in the utilities sector.

Total exposure to fossil fuels (Millions of euros)

	Utilities	Oil&Gas	Carbon Mining	Total
Corporate financing	7,074	14,343	243	21,660
Project financing	269	1,393	0	1,662
Structured trade finance	336	1,157	0	1,493
Equity	0	6,5	0	6.5
Total exposure to fossil fuels	**7,679**	**16,894**	**243**	**24,815**
% of total assets				**3.67%**

Mix of energy generation of utilities customers and emissions 2017 CO_2 /kwh (weighted average) (December 2017)



Last data available.
[1] Calculated as a weighted average of customer financing in 2018 and its energy mix. Scope of 88% on power generation companies, based on information available. Emissions and mix data as of December 2017 pending the publication of new data in annual reports.
[2] Data obtained from peer 1 sustainability report.

Physical Risks

Physical risks are those resulting from the **direct impact** of climate change which may affect both the solvency of bank customers and assets in the banks' possession or those used as security on assets loaned to customers.

The analysis is based on clearly demarcated risks such as floods, long-term droughts, storms and typhoons, and large fires.

The effect of these risks depends on the sector analyzed. The most risk-sensitive sectors analyzed within the UNEP FI pilot are agribusiness and real estate. The pilot analysis focused on analyzing the effect of potential concurrent **climate events** on the PD (Probability of Default).

BBVA conducted an analysis of its mortgage portfolio in Mexico to assess the possible impact of these risks in the long term. The analysis was performed using the SwisRe CatNET tool, which yielded the various probabilities of climate events. Based on the model provided by Acclimatise (an advisory company collaborating on the project), these probabilities were transferred to BBVA's portfolio and the financial impact of these events was assessed. Due to the geographical diversification of BBVA mortgages in Mexico, no significant risks were identified in the medium term.

Equator Principles

Energy, transport and social services infrastructures, which promote economic development and create employment, can have an impact on the environment and on 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 ethical **principle-based profitability**. Placing people at the center of the business means meeting stakeholder expectations and dealing with social demands to fight against climate change and respect human rights.

In line with this commitment, in 2004 BBVA made a commitment to the **Equator Principles** (EPs). Based on the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's General Environmental, Health, and Safety Guidelines, the Equator Principles are a set of standards for managing environmental and social risk in project finance. These principles have set the benchmark for responsible finance.

Corporate & Investment Banking (CIB)'s Sustainable Finance and Reputational Risk team is responsible for **analyzing projects**, representing the Bank before its stakeholders, reporting to senior management, and designing and implementing the management system, by proposing the adoption of best practices, and being involved in training and communication on matters related to the Equator Principles.

In its risk analysis and decision-making processes, BBVA evaluates and takes into consideration not only financial, but also environmental, social and reputational aspects. During a project analysis, environmental and social **due diligence** must be performed on each transaction, 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**, which are monitored by a specialized team in CIB.

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. In 2017, BBVA took the decision to strengthen its due diligence processes associated with the financing of projects whose development affects indigenous communities. Under these circumstances, free, prior and informed **consent** (FPIC) is required from these communities, regardless of the geographic location of the project. This means extending the current demand of the EPs, which limits this requirement to countries classified as non-designated, leaving out the countries that are designated (those that are considered to have a robust legal system and an institutional capacity that provides sufficient guarantees of environmental protection and their inhabitants' social rights). In 2017, BBVA was one of ten banks to call on the rest of the Equator Principles financial institutions to support the adoption of amendments in this respect. For BBVA, the EPs act as a basis for applying best practices and a framework for dialog with customers and stakeholders involved in the projects it finances.

The fourth version of the Equator Principles was initiated in 2017, and in 2018, BBVA actively contributed to its **development** by participating in two working groups. With this new version, the Equator Principles Association recognizes the need to update the PEs in line with the changing landscape of sustainable finance, and establishes four key issues to be addressed: social impacts and human rights, climate change, international standards applicable to projects and the scope of applicability of the Principles.

Operational Data Analyzed According to the Equator Principles Criteria

	2018	2017	2016
Number of transactions	29	22	32
Total amount (millions of euros)	13,613	7,069	6,863
Amount financed by BBVA (millions of euros)	1,289	1,054	1,451

Note: Of the 29 transactions analyzed, 14 fall under the Equator Principles, and the remaining 15 were analyzed voluntarily by BBVA using the same criteria.

Eco-rating

The Eco-rating tool is used to rate the risk portfolio of BBVA business customers in Spain from an environmental perspective. To this end, each customer is assigned a level of environmental risk based on a combination of several factors, such as their location, polluting emissions, consumption of resources, potential to impact their environment or applicable legislation.

In 2018, the **environmental risk** of 264,869 customers in Spain was rated, with a total exposure volume of 75.444 billion euro.

Science Based Targets

BBVA was the first Spanish bank to join the Science Based Targets initiative. The purpose of this initiative is for companies to establish greenhouse gas emission **reduction** targets that are aligned with the level of decarbonization needed to maintain the global temperature rise below 2°C above pre-industrial levels, as established in the Paris Agreement.

During the first phase, the Bank established a reduction target of 68% for its scope 1 and 2 emissions, along with a target of 70% consumption of renewable energy, within the framework of its 2025 Pledge.

In 2019, it hopes to set targets regarding the impact on climate change through **science-based** lending activity, focusing on the sectors with the greatest impact, and once the above-mentioned PACTA evaluation methodology has been applied.

Eco-efficiency

As part of its commitment to reduce the direct environmental impacts of its activity, in 2018 BBVA continued to work within the framework of the Global Eco-efficiency Plan (GEP), whose vision is to position the Bank among the leading eco-efficiency entities worldwide. The GEP establishes the following strategic vectors and global objectives for the 2016-2020 period.

Global Eco-efficiency Plan

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

* updated objective after the incorporation of the data from Turkey. Objectives per person

In 2018, changes in the GEP indicators compared to the previous year were very positive, showing reductions of 4% in CO2 emissions (according to market based methodology) , 13% in water consumption and 18% in paper use (all per person). Furthermore, renewable energy consumption has increased to 37%, and the number of people working in buildings with environmental certification has already reached 43%.

In addition to the objectives set out in the GEP, the **climate change and sustainable development strategy** approved in 2018 establishes new pledges by 2025, for the reduction of BBVA's carbon footprint. Firstly, the Bank has set a reduction target of 68% of its scope 1 and 2 emissions by that date; and is also committed to ensuring that 70% of the energy it uses is renewable by 2025, and 100% by 2030. To achieve this last target, BBVA has joined the RE100 initiative this year, through which the most influential companies around the world undertake to have 100% renewable energy before 2050. It was also the first Spanish bank to join the Science Based Targets initiative, as explained above.

The evolution of the eco-efficiency targets over the last year is shown in the table below:

GEP indicators evolution (BBVA Group)

	2018	2017	2016
People working in certified buildings (%) (1)	43	42	40
Electricity consumption per person (MWh)	6	6	5.9
Energy from renewable sources (%)	35	28	26
CO_2 emissions per person (T) (market based)	2.2	2.3	2.1
Water consumption per person (m^3)	18.9	21.7 (2)	21.1
People working in buildings with alternative sources of water supply (%)	13	12	11
Paper consumption per person (T)	0.05	0.06	0.06
People working in buildings with selective waste collection (%)	43	41	39

(1) Includes ISO 14001 and LEED certifications.

(2) Data recalculated with respect to the information published in 2017.

Note: For comparability purposes, the data for 2017 and 2016 have been recalculated excluding Chile, due to the cessation of activity in this country in 2018.

To achieve these targets, BBVA continued its efforts to minimize its environmental footprint through initiatives in all of the countries in which the Group operates, most notably:

- Energy supply agreement between BBVA and Endesa in Spain, through a Power Purchase Agreement (PPA) for the purchase and sale of green energy. The agreement includes the construction of a wind farm that guarantees a generating capacity of 80 GW from 2020. In Mexico, BBVA Bancomer has a PPA that covers 80% of the energy consumed by the Bank.
- Establishment and monitoring of the implementation of energy saving measures in buildings in Spain. These measures have led to a saving of 10,330 MWh in 2018, which equates to 4.3% less than the energy consumption in buildings the previous year.
- Completion of various projects to increase the efficiency of air conditioning systems, systems monitoring, adjustments to air conditioning and lighting settings in buildings and branches in Mexico, Venezuela, Paraguay, Uruguay, the United States and Peru. These measures will mean savings of approximately 2,926 MWh over the next three years.
- Installation of remote management across several branches in the United States to control the air conditioning, lighting and building management system (BMS).
- Operational improvements and remodeling of water consumption facilities in Spain, Colombia, Venezuela, the United States and Mexico, that will provide savings of 237,264 m^3 over the next three years. These measures include the installation of weather-based irrigation controllers and faucet aerators to reduce water flow in the United States.
- Renewal of the environmental management system certifications under ISO 14001:2015 in Argentina, Colombia, Spain, Mexico, Peru, Uruguay, Mexico and Turkey. In 2018, the number of certified buildings increased to 1,067 branches and 84 buildings across the entire Group. Certifications for energy

management under ISO 50001 in the buildings in Spain were also retained, and the Birmingham building in the United States was awarded the Energy Star certification for energy efficiency.

- Measures to reduce paper consumption through digitization of documents used in offices in Paraguay, Colombia and Venezuela, among others.
- Development of blue branches in Spain. These offices are planned and built according to sustainable construction criteria and include energy-efficient facilities, designed to reduce the environmental and energy impact of the branches on their environment.
- Waste management campaigns in several countries, such as like the recycling rally in Venezuela, thanks to which a total of 17.2 tons of unused paper and files were collected.
- Celebration of sustainability week in the BBVA City in Madrid, during which employees took part in initiatives, workshops and visits aimed at promoting energy saving, sustainable mobility and environmental awareness.
- Participation in international campaigns and initiatives to support the fight against climate change, such as Earth Hour, in which 121 buildings and 330 offices from the entire Group around the world participated. BBVA also joined environment day, during which it lit up some of its most emblematic buildings in green, including the Madrid, Lima and Buenos Aires headquarters.
- Sustainable mobility campaign and purchase of renewable energy by BBVA Switzerland.

Environmental Footprint (BBVA Group)

	2018	2017	2016
Consumption			
Public water supply (cubic meters)	2,809,426	3,242,273	3,149,802
Paper (tons)	7,535	9,281	9,219
Energy (Megawatt hour) [1]	987,443	966,091	950,789
CO_2 emissions			
Scope 1 emissions (tons CO_2e)[2]	17,631	12,936	13,046
Scope 2 emissions (tons CO_2e) market-based method [3]	244,070	271,325	264,102
Scope 2 emissions (tons CO_2e) location-based method [4]	338,503	349,808	332,401
Scope 3 emissions (tons CO_2e)[5]	67,104	59,557	45,108
Waste			
Hazardous waste (tons)	650	164	391
Non-hazardous waste (tons)	6,700	4,879	847

(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 Assessment Report and the IEA were used as sources to convert these to CO2e.

(3) Emissions from electricity consumption, calculated based on the latest emission factors available from the IEA for each country.

(4) Emissions from electricity consumption, calculated based on contractual 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 work place 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.

Note: For comparability purposes, the data for 2017 and 2016 have been recalculated excluding Chile, due to the cessation of activity in this country in 2018.

Reputational Risk Management

In 2016, BBVA implemented a methodology to identify, assess and manage **reputational risk**. Using this methodology, the Bank regularly defines and revises a map on which it prioritizes the reputational risks it faces, as well as a set of action plans to mitigate them. The prioritization is based on two variables: the **impact** on stakeholders' perceptions and BBVA's **strength** against risk.

This exercise is carried out annually in all countries in which the Group operates, as well as in the CIB EMEA Area. Following the outcome of the exercise, 32 mitigation action plans were carried out in 2018.

New measures aimed at strengthening the most outstanding reputational risk management model of 2018 are:

- Review of the risk factors undergoing analysis with the incorporation of feedback on areas of improvement carried out by the Global Risk Management and Compliance areas, as well as the Responsible Business area itself.

- Coordination of the annual review of the risk map by the reputational risk specialist at local level.

- Review of the catalog of reputational risk indicators in order to improve the handling of any potential events that may occur in any given location.

- Incorporation of local reputational risk specialists in the New Product Committees in Spain, Mexico, the United States, Colombia, Peru, Venezuela and Turkey.

Engagement with global initiatives

BBVA is involved with major international sustainable development initiatives such as the United Nations Global Compact, Equator Principles, Principles for Responsible Investment, United Nations Environment Program Finance Initiative (UNEP FI), CDP, Thun Group of Banks and Human Rights, Green Bond Principles, Social Bonds Principles, Green Loan Principles, RE100 initiative and Science Based Targets. It is also firmly committed to the United Nations Sustainable Development Goals and the Paris Agreement on climate change and, since 2017, has been part of the pilot group of banks that have committed to implementing the finance and climate change recommendations that were published by the Financial Stability Board as part of the G20 summit.

In 2018, BBVA was part of a joint initiative comprising 28 banks from around the world to develop a set of Principles for Responsible Banking, launched this year in Paris. It was also one of the signatories to an open letter addressed to the global leaders and heads of government who attended the UN Convention on Climate Change in Katowice (Poland), committing to finance and design the financial services needed to support customers as they transition to a low-carbon economy.

The Bank is also an **active promoter** of sustainable finance in a large number of international forums, as a European bank representative on the Global Steering Committee of the UNEP FI Sustainable Finance Forum, and chair of the Sustainable Finance Working Group of the European Banking Federation. Furthermore, in 2018 the Bank held the first edition of the BBVA Sustainable Finance Forum at its headquarters in Madrid. This meeting brought together investors, businesspeople, representatives from public and private institutions, and experts on sustainable finance to promote the role of the finance industry in sustainable development and in climate action.

Sustainable Development Goals (SDG)

On September 25, 2015, world leaders adopted **17 SDGs** to protect the planet, fight against poverty and work to eradicate it, and achieve a prosperous world for generations to come. These goals are at the heart of the 2030 Agenda for Sustainable Development. Involvement was therefore sought from all parties: governments, companies, civil society and individuals. 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.

As such, in 2018 BBVA announced its **strategy around climate change and sustainable** development to help the Bank meet the SDGs, and assumes a particular commitment with regard to SDG 17 (Revitalize the Global Partnership for Sustainable Development), which seeks to strengthen alliances to achieve the targets. BBVA has therefore pledged to engage all stakeholders to increase the financial sector's collective 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 sectoral initiatives that join forces.

As a whole, BBVA contributes to all SDGs, given the Group's wide range of businesses, including the activity of the Microfinance Foundation, and its global presence. With that in mind, it aims to meet the commitments from the 2030 Agenda, while at the same time seizing any business opportunities that may arise from its compliance.

Sustainable Development Goals

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
Goal 1: End poverty in all its forms everywhere	Bringing financial services to the most remote corners of Latin America	BBVA Microfinance Foundation (BBVAMF)	The BBVA Microfinance Foundation is a non-profit organization formed in 2007 by BBVA within the framework of its corporate social responsibility. With a budget of USD 300 million and more than 150 years' experience, it supports disadvantaged people engaged in productive activities. Every year it publishes its social performance report, "Measuring what really matters." Social performance report	• Over 8,000 employees • Over 2 M customers, 57% women • €1,283 billion in microcredit granted in 2018	2030: to provide more than $ 25 billion in production loans to reduce poverty
		Financial inclusion	Development of a financial inclusion business model to help the low-income population in emerging countries within the Group's global footprint. This model is based on: • Use of new digital technology • More products and services thanks to mobile, branch-less platforms • Innovative, low-cost financial solutions designed for this segment	At the close of 2018, BBVA had 8.4 million customers in this segment. Major initiatives implemented during the year: • Mexico: "salary advance" microcredit. Monthly average: 10,000 loans placed; life insurance through ATMs: 250,000 policies • Colombia: online accounts facilitate sign-ups for customers in the segment. 8,000 new service points to meet customers' transactional needs • Peru: extension of the BIM mobile wallet functionalities	2019: local program drives
		Collaborations with social institutions	Main areas of action in the 2016–2018 Community Investment Plan: • Financial education • Social entrepreneurship • Knowledge, education and culture The Support to Social Organizations program backs educational, cultural and community development projects by non-governmental organizations, social entities and other non-profit associations	€104.5 M allocated to social initiatives and more than 8 million beneficiaries (2% of the Group's net attributable profit). The Community Investment Plan has benefited more than 24 million people	2019: new donation management platform and standards
Goal 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	Support for farmers through rural microcredit	BBVA Microfinance Foundation (BBVAMF)	Development of a value proposition and a specific service model for farmers who represent a significant portion of the BBVAMF's rural customers.	20% annual growth in the assets of agricultural sector entrepreneurs serviced by BBVAMF (2015–2017)	2030: to reduce poverty by bringing financial resources to the most remote populations
Goal 3: Ensure healthy life and promote wellbeing for everyone of all ages	Financing of biomedicine and health research projects	Occupational health and safety	A commitment to guarantee healthy working environments and improve the quality of life of people through health promotion and prevention campaigns, as well as training, information and awareness-raising activities.	• 3,078 preventive actions • 15,590 health screening referrals • 100% of employees represented on health and safety committees • 2.8% absence rate	
		BBVA Foundation	Promotion of research in fields such as biomedicine and health.	2018 research promotion initiatives: • Leonardo Grants for scientific researchers • Grants to scientific research teams working in biomedicine, ecology and conservation biology, big data, economics and the digital society, and the digital humanities	To promote knowledge, culture, science-generation and art through project development and financing
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Putting the opportunities of this new era within the reach of the most disadvantaged people	Financial education	Global Financial Education Plan based on three lines of action: • Financial education for society in all countries in which BBVA operates, through our own programs and in collaboration with third parties • Promotion of financial education • Financial education in customer solutions	More than € 80 M invested and 13.4 million beneficiaries since 2008 In 2018, investment in the running of the Global Financial Education Plan reached € 7.5 M. This year, 1,995,259 people have benefited from financial education programs	2019: to promote collaboration among relevant financial education stakeholders through the Center for Financial Education and Capability
		Education programs	Support from the BBVA Foundation for various education programs related to: • Access to education: financial aid to facilitate access to education for children, young people and/ or adults • Quality of education: promotion of educational social innovation and talent among teachers by providing access to training, knowledge, visibility and networks • Development of essential 21st Century skills: using audiovisual content and universal, free-of-charge learning methodologies for families and teachers	In 2018, 279,909 people benefited from the following initiatives: • Access to education: "Niños Adelante" scholarships (Colombia, Mexico, Paraguay, Peru, Uruguay and Venezuela) • Quality of education: Acción Magistral program to support teachers (Spain) • 21st Century skills: BBVA Aprendemos Juntos (We Learn Together) (Spain)	
		Knowledge, education and culture	• BBVA Research: studies the evolution of the economy and provides economic studies, reports and analyses to shareholders, investors and the general public • BBVA Foundation: drives and promotes knowledge. Its work to promote excellence includes: Leonardo Grants, Biodiversity Conservation and Climate Change program and the Frontier Awards • OpenMind initiative: contributes to the generation and dissemination of knowledge on the key issues of our time-open to all and free-of-charge-using an online community"	In 2018, it invested € 75.5 M, benefiting 3.8 people. • BBVA Research: in 2018, it produced 1,334 economic publications • BBVA Foundation: 1,646,705 beneficiaries in 2018, through initiatives supporting science	To continue promoting scientific knowledge and research

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
Goal 5: Achieve gender equality and empower all women and girls	Fostering a work environment that supports gender equality, both with regard to its employees and its support for initiatives and product offerings	Diversity and inclusion	• Global Diversity and Inclusion Plan • Signatory to the United Nations' Women's Empowerment Principles • Implementation of the Rooney Rule, which stipulates that 50% of candidates for management positions must be women • Unconscious bias training • Improving the way in which offers are written • Coaching program for women	• 53.9% of the Group's workforce are women • 48% of management positions held by women • 2018 Bloomberg Gender-Equality Index • BBVA Compass included in the 2018 Corporate Equality Index on LGBT equality • Protocols for the prevention of sexual harassment at all of the Group's banks	To continue the commitment to diversity in the workforce as one of the key elements to attract and retain the best talent
		BBVA Microfinance Foundation (BBVAMF)	• Contributing directly to reducing gender inequality (61% of entrepreneurs are women) • Collaboration with UN Women: The United Nations Entity for Gender Equality and the Empowerment of Women, to promote the entrepreneurial potential of women and their capacity to help reduce poverty	• 61% of entrepreneurs are women • BBVAMF identified as a case study by the UN Secretary-General's High-Level Panel on Women's Economic Empowerment	To empower women through specialized financial and non-financial services
Goal 6: Ensure availability and sustainable management of water and sanitation for all	Developing water management projects within the Group's infrastructure and due diligence for the operations in question Financing for projects that have jeopardized the protection of water and indigenous populations (Dakota pipeline)	Global Eco-efficiency Plan (GEP)	Responsible use of water, through water savings and use of recycled water	• 13% reduction in water consumption • 13 % of employees in buildings with alternative sources of water supply	2016–2020: water-related targets: 5% reduction in consumption per occupant (kWh/ocup.); 9% of occupants in buildings with alternative water sources
		BBVA strategy on climate change and sustainable development (Pledge 2025)	Mobilization of capital required to curb climate change and achieve the Sustainable Development Goals (SDGs) (€ 100 billion) between 2018 and 2025 for green financing, including funding for sustainable water management infrastructure)	€. 4.7 billion of Corporate financing to customers that undertake more than 80% of their activities in green sectors, according to the Green Bond Principles (including sustainable water and waste management)	2018–2025: € 70 billion for a transition to a low-carbon economy: solutions for energy efficiency, water, waste management for individuals and SMEs
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all	Implementing energy efficiency and emission reduction projects	Global Eco-efficiency Plan (GEP)	Energy efficiency improvements and use of renewable energies	• 4% saving in CO_2 emissions • 43% of people working in certified buildings"	2016–2020: Energy-related targets: 5% reduction in consumption per occupant (kWh/ocup.); 48% of energy from renewable sources and 8% reduction in CO_2 emissions per occupant (tCO_2/ocup.)
		BBVA strategy on climate change and sustainable development (Pledge 2025)	Mobilization of capital required to curb climate change and achieve the SDGs (€ 100 billion between 2018 and 2025 for green financing, including renewable energy projects, energy efficiency, issuing green bonds etc.)	• € 7.1 billion green and social bonds placed (€1.45 billion as book runner) • € 1.85 billion in green loans	2025: 70% renewable energy a 68% reduction in CO_2 emissions 2030: 100% renewable energy
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Nurturing vulnerable entrepreneurs, community support by promoting corporate responsibility	Entrepreneurship	• BBVAMF: support for disadvantaged people in Latin America through entrepreneurship • BBVA Momentum: comprehensive program providing support to growing social enterprises • Blue BBVA Challenge: training in entrepreneurship techniques for young graduates to help them develop projects that can change the world • BBVA Open Talent: The world's biggest FinTech competition to identify and recognize startups with the greatest potential to transform financial services	In 2018, BBVA allocated almost € 9 M that benefited 2.2 M people • BBVAMF: 2 M customers (77% vulnerable) • BBVA Momentum: 492 entrepreneurs benefited since 2011 • BBVA Blue Challenge: 3,000 young beneficiaries since 2016 • Open Talent: 6,000 startups from 8 countries have benefited from more than € 1.65 M in awards (since 2016)"	2019: Momentum in Mexico, the United States, Colombia and Turkey
		Financial inclusion	A financial inclusion business model to cover the low-income population in emerging countries within its global footprint. More information in SDG 1	8.4 M customers in this segment. More information on the main initiatives implemented in 2018 in SDG 1.	2018–2025: to provide access to credit according to sustainability criteria, particularly in emerging economies through sustainable financing. € 18 billion for financial inclusion and entrepreneurship: loans to the underserved; loans to vulnerable microentrepreneurs; loans to female entrepreneurs; new digital models and impact investments
		Diversity policy	"Plan Integra in collaboration with major Spanish organizations in the disability sector. It seeks to encourage accessibility and integration into the labor market, and to promote a greater understanding and awareness of the needs and potential of people with disabilities. - Promotion and hiring of people with disabilities, at both BBVA and its suppliers - Relationships with Special Employment Centers (SEC) for recruitment "	• 727 differently abled people in the Group's workforce: 215 in Spain, 192 in the United States, 28 in Mexico, 279 in Turkey and 33 in South America • More than € 3.2 M turnover at SECs	To improve accessibility in the branches of the various banks that make up the Group. The Madrid, Mexico and Argentina head offices are already accessible.
		Freedom of association	The rights and working conditions of Group employees are included in the rules, conventions and agreements concluded in each entity with the corresponding workers' representatives, in accordance with local legislation in each country.	Staff under a collective agreement: • 100% in Spain, Argentina, Colombia, Venezuela and Paraguay • 35% in Mexico • 6% in Peru • The United States. and Turkey do not require the same application	

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Mobilizing capital to finance sustainable and inclusive infrastructure	BBVA strategy on climate change and sustainable development (2025 Pledge)	Contribution to the mobilization of capital required to curb climate change and achieve the SDGs (€ 100 billion between 2018 and 2025 for green financing, including mitigation of its impact by financing sustainable infrastructure and agribusiness).	- € 1.6 billion for sustainable infrastructure and agribusiness	2018–2025: € 12 billion in funding for education infrastructure, health, social housing and clean transportation; social bonds intermediated as a book runner; investment funds and investments in associates; and agribusiness financing under sustainability criteria
		BBVA Transformation Plan	The transformation process that is required to adapt to the new financial industry environment, and is characterized by the following trends: - Digital sales: impetus to digitization - New business models: FinTech	• 51.43% digital customers • 43.45% customers accessing through mobile devices	
Goal 10: Reduce inequality within and among countries		Fiscal transparency	Corporate Principles in BBVA's Tax and Fiscal Strategy, a strategy that sets the policies, principles and values that should guide the Group's behavior on tax matters. BBVA is committed to providing transparency in tax payments, and since 2011 has voluntarily disclosed a breakdown of its total tax contribution in the countries where it has a significant presence Corporate Principles in BBVA's Tax and Fiscal Strategy	• Annual Report on Fiscal Transparency for Companies adhering to the CBPT (Code of Good Tax Practices), along with its corporate tax return for the previous year • € 9.752 billion taxes paid globally in 2018	Plan to reduce the number of offshore financial centers
Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable	Promoting construction of sustainable infrastructure	Social housing policy in Spain	• Access to housing: access to housing loans, particularly in developing countries, supporting access to decent housing • Social housing: providing social housing in areas where it is needed, preventing evictions of people at risk of exclusion	29,000 debts discharged with customers (including for products such as residential mortgages and consumer loans) • More than 2,500 homes provided to public entities • € 111.527 billion in homes financed by BBVA • More than 750,000 families live in homes financed by BBVA in Spain	
		BBVA strategy on climate change and sustainable development (2025 Pledge)	Mobilization of capital required to curb climate change and achieve the SDGs (EUR 100 billion between 2018 and 2025 for green financing). Part of this funding is aimed at sustainable infrastructure and agribusiness	€ 1.6 billion for sustainable infrastructure and agribusiness	2018–2025: € 12 billion in funding for education infrastructure, health, social housing and clean transportation; social bonds intermediated as a book runner; investment funds and investments in associates; and agribusiness financing under sustainability criteria 2020–2025: Green Power Purchase Agreement with Endesa. Construction of a new wind farm
		Global Eco-efficiency Plan (GEP)	Recycling and waste management	• 43% of people working in certified buildings • 43% are in buildings with selective waste collection	2016–2020: waste management targets: 46% of occupants in certified buildings; -5% paper consumption per occupant (kg/ocup.); 30% of occupants in buildings with selective waste collection
Goal 12: Ensure sustainable consumption and production patterns	Adapting the bank's practices to the needs of this new era	Sector Norms for environmental and social due diligence	Integration of sustainability issues specific to four sectors with special environmental and social impact: mining, energy, infrastructure and agribusiness. These standards norms provide clear guidance on the procedures to follow when managing customers and transactions in these sectors	Evaluation of the alignment of these standards norms with customers in these sectors in order to better understand their sustainability strategies.	2019: update of sector-specific standards
		Socially responsible investment (SRI)	BBVA committed to provide to SRI products to our customer and clients. In 2008 when it, BBVA signed up to the United Nations Principles for Responsible Investment (PRI) through its employee pension plan and one of the Group's major asset managers, Gestión de Previsión y Pensiones Range of SRI solutions: • BBVA Futuro Sostenible • BBVA Bolsa Desarrollo Sostenible • B+EDUCA • BBVA Leer es estar adelante (Reading means keeping ahead)	In 2018, improving the SRI solutions offered: • Training pathways: events streamed and on the website • SRI newsletter • Tailored briefings with customers website	To improve the model, year-on-year, to make it more comprehensive and robust
		Responsible Procurement Policy	Supply chain control to prevent abusive conditions at supplier businesses, using principles applied to those involved in supply processes and the Code of Conduct for Suppliers of the BBVA Group	Consolidation of the Code of Conduct for Suppliers by establishing minimum standards of behavior for ethical, social and environmental matters • 29% of suppliers approved: 29% (85% of the total procurement volume awarded) • 97% local suppliers: 97% (94% of total turnover)	

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
13 CLIMATE ACTION Goal 13: Take urgent action to combat climate change and its impacts	Mobilizing capital for sustainable development and the fight against climate change Direct negative environmental impact from the bank's activities	BBVA strategy on climate change and sustainable development (2025 Pledge)	A strategy to help the Bank achieve the United Nations Sustainable Development Goals and meet the challenges of the Paris Agreement on climate change by aligning the Group's activities with a scenario where global warming is limited to 2°C and striking a balance between sustainable energy and investments in fossil fuels.	In the first year of this commitment, BBVA has mobilized € 8,126 M in green financing • 29 Number of operations under the Equator Principles • € 645 M investment in renewable energy • € 7,116 billion in green and social bonds placed (1,452 as book runners)	2018-2025: € 70 billion for green financing to companies and institutions; intermediation of green bonds; energy efficiency, water and waste management solutions; and investments funds and investments in associates.
		Sector Norms for environmental and social due diligence	Integration of sustainability issues specific to four sectors with special environmental and social impact: mining, energy, infrastructure and agribusiness. These norms take as a reference the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC), among other	Evaluation of the alignment of these standards norms with customers in these sectors in order to better understand their sustainability strategies.	
		Global Eco-efficiency Plan (GEP)	Improvements to waste management, responsible use of water, energy efficiency and use of renewable energy.	Plan follow-up results: • 43% of people working in certified buildings • 4% savings in CO2 emissions • 35% renewable energy consumption • 13% saving in water consumption • 13% of people throughout the Group work in buildings with modern water recycling systems	2016-2020: strategic vectors and global objectives: • 46% of occupants in certified buildings • 8% reduction in C02 emissions per occupant (tCO2/ocup.) • 5% electricity consumption reduction per occupant (kWh/ocup.) • 48% energy from renewable sources • 9% occupants in buildings with alternative sources of water • 5% reduction in water consumption per occupant (m3/ocup.) • 5% paper consumption reduction per occupant (kg/ocup.) • 30% of occupants in buildings with selective waste collection
		Major sustainability indices	Belonging to the major global sustainability indices. Being selected for and remaining within these indices depends on companies demonstrating steady progress on sustainability issues and influences their eligibility for investment portfolios, which attaches growing importance to factors beyond a company's financial credentials	• Dow Jones Sustainability Indices • FTSE4Good • MSCI • CDP • EURONEXT (Vigeo Eiris) • Member of the "Ethibel Excellence investment register"	To maintain a presence in these indices
		Compliance with International environmental standards	• The United Nations Global Compact (since 2002) • UNEP FI (since 1998) • Equator Principles (since 2004) • CDP (since 2004) • Green Bond Principles (since 2004) • Task force on Climate-related Financial Disclosure – TCFD (since 2017) • Science-Based Targets (since 2018) • RE100 (since 2018)	TCFD: progress in the analysis of risks associated with climate change Bonds: a market leader with participation in the issuance of 13 operations as a book runner, with a placement of EUR 7.889 billion The framework for the issue of SDG-linked sustainable bonds was published this year. Framework for the issue of SDG-linked sustainable bonds	2020: implementation of the TCFD recommendations
14 LIFE BELOW WATER Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Momentum for the protection of marine ecosystems by funding ecology and conservation biology research teams	BBVA Foundation	Financial aid to ecology and conservation biology research teams with a clear focus on actions to conserve habitats and/or threatened species in Spain.	During 2018. Project: "Effect of Global Warming on Coastal Trophic Interactions with the Mediterranean Sea" (InterBioClima) Investment in this project	2019: Upcoming calls for aid to research
15 LIFE ON LAND Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Momentum for the protection of forests by funding ecology and conservation biology research teams	BBVA Foundation	Financial aid to ecology and conservation biology research teams with a clear focus on actions to conserve habitats and/or threatened species in Spain.	During 2018. Project: Invisible Extinctions: diversity loss in arid zones of the Iberian Peninsula due to the spread of plant species linked to human activity (ExIn)	2019: Upcoming calls for aid to research

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels	Controversies over corruption and weapons funding	Creation of a model for responsible banking (Desarrollo de un modelo de banca responsable)	Creation of a model founded on principle-based profitability: integrity, prudence and transparency. A drive for clear and responsible communication and financial education to help our customers make informed decisions	In 2018, BBVA was recognized as a global leader for its corporate responsibility and social investment programs by The CEO Force for Good. BBVA is in the top 25% most socially committed companies. • No. of TCR sales guides	
		Fight corruption and bribery at all levels	Ensure that neither BBVA employees nor customers encourage corruption or participate in bribery or illicit activities	The BBVA Group's anti-corruption policy operates under the principles and guidelines primarily contained in Section 4.3 of the Code of Conduct and is in keeping with the spirit of relevant national and international standards	To launch an anti-corruption policy with global reach
		To abstain from financing controversial weapons	Abstaining from the financing of weapons considered controversial	Updated Defense Policy	2019: Entry into force of the Defense Policy
		Commitment to human rights (Compromiso con los derechos humanos)	-Commitment to human rights and due diligence process (2017–2018)	• Launch of the United Nations Principles for Responsible Banking, which promote practices that respect the Guiding Principles on Business and Human Rights • Updated Action Plan on Human Rights 2018–2020	2018–2020: Action Plan on Human Rights
		Corporate volunteering	Corporate Volunteering Policy. A commitment to provide employees with conditions for engaging in corporate volunteer actions that generate a positive social impact. Activities aimed at strengthening BBVA's own initiatives or those it coordinates in relation to education, primarily financial education	• 14,000 volunteers • First Global Week of Volunteering: more than 8000 employees, 325 charitable activities conducted in over 15 countries	2019: second Global Week of Volunteering
Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development	Increase in partnerships and commitment to initiatives to achieve the Sustainable Development Goals	Strategic alliances	Long-standing relationships with multilateral financial institutions that can provide finance to sectors and projects contributing to the development of societies	• United Nations Sustainable Development Goals 2030 • Paris Agreement • Principles for Responsible Banking (UNEP FI) • G20 • United Nations Guiding Principles on Human Rights	2025: to engage all stakeholders to increase the financial sector's collective contribution to sustainable development. Supervisors and regulators, customers, corporate clients, investors, employees, suppliers, observers and competitors
		Principles for Responsible Banking (UNEP FI)	10 principles to redefine banking in line with social needs. 28 banks joined forces against climate change, channeling funds to finance sustainable activities	Active promotion of the Principles for Responsible Banking	
		Participation in working groups and associations	Taking part in those associations and groups that promote engagement and the forging of alliances	• United Nations Global Compact • Equator Principles • Principles for Responsible Investment (PRI) • Thun Group on Banks and Human Rights • Social Bonds Principles • CSR Europe • GISR • Integrated Reporting (IR) • Spainsif • UNEP FI • Regional banking associations (EBF) and local ones (for example AEB,Asobancaria etc)	

Task Force on Climate-related Financial Disclosures (TCFD)

Following the ratification of the Paris Agreement, the importance of climate change has come into focus on the international agenda. Governments and institutions committed themselves to the demands of this pact, and we are gradually seeing an increase in regulation (soft and hard) in this regard, with companies being pushed to reduce their emissions to be in line with the 1.5 and 2 degree scenarios.

Many sectors are being affected by this trend, which limits their access to the use of certain commodities, taxes emissions, and requires the establishment of an ad-hoc strategy and the dissemination of information on this matter. There is also an **opportunity** resulting from the new business that will be generated around sustainable initiatives.

Banking plays a fundamental role in this matter as a **source of funding** for all sectors involved in this change. Such exposure requires the level of risk to which it is exposed to be taken into account. The climate change performance of its customers and their ability to adapt to environmental challenges can affect the banking business, increasing default and solvency risks.

Against this backdrop, the FSB charged the TCFD with setting up a reporting framework that could help the market to evaluate companies' performance with respect to climate change. The aim was to create a common reporting framework that was consistent, comparable, reliable, clear and efficient to be used in the decision-making processes of all stakeholders.

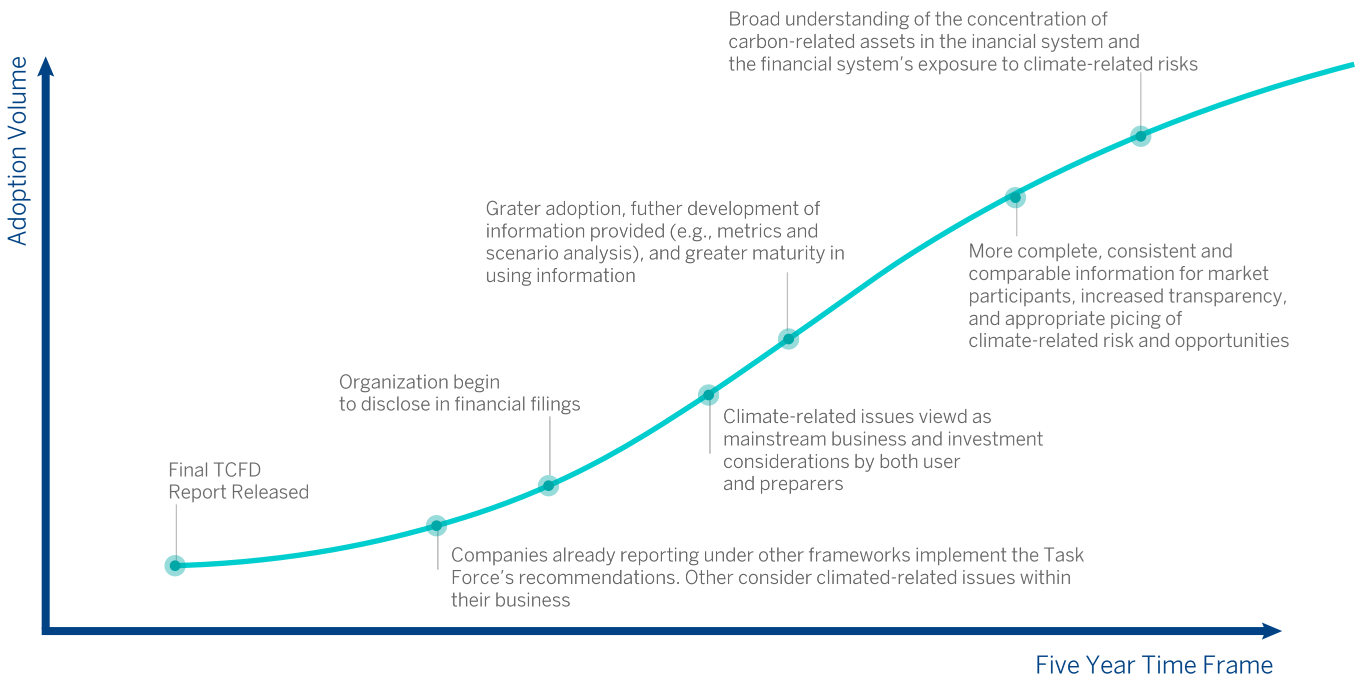
The initiative recommends that climate-related **financial disclosures** address four main areas:

Core elements of Recomended Climate-related Financial Disclosures

Source: TCFD Final Report June 2017

The timeline for implementation of these recommendations is shown below, and is structured so as not to have to tackle the entire project from the start:

Implementation process



Source: TCFD Final Report June 2017

As part of its commitment to mitigating the impacts of climate change and integrating these risks into its risk management model, BBVA has committed to observing the indications set out in the TCFD. In 2017 it joined the pilot group of banks that, guided by UNEP FI (United Nations Environment Programme - Finance Initiative), are striving to implement the recommendations of the Task Force on Climate-related Disclosures, created by the Financial Stability Board (FSB).

During the first half of 2018, this working group employed a methodology to incorporate environmental risks, both physical (directly derived from climate change) and transitional (regulatory risks to achieve the Paris Agreement goals), into the entity's overall risk management strategy.

The result of this work were two documents, one focused on physical risks and the other on transitional risks, which were published in 2018.

The section relating to environmental and social risk reflects the work carried out on this matter by BBVA in 2018.

The following table summarizes the progress of the initiative as of December 31, 2018. A specific report on the implementation of its recommendations is due to be published in the first half of 2019. The TCFD defines carbon-related assets as those assets that rely on the energy and utilities sectors, according to the Global Industry Classification Standard, excluding water management and independent power and renewable electricity producers.

Área	Recommendations	Done	Plan 2019
Governance	Describe the **board's oversight** of climate-related risks and opportunities	Included in the CSR Policy approved by the Board od Directors Board of Directors' oversight (3 times in 2018)	Reporting to the Board of Directors and to the Board Executive Committee Progressive inclusion in Board Risk Committee agenda
	Describe **management's role** assessing and managing climate-related risks and opportunities	Plans & norms approved and oversighted by the CEO Global Leadership Team & Sustainable Finance Working Group as forums to help decision-making Responsible Business as specialist function coordinating implementation & monitoring	Reporting to the Global Leadership Team meeting Sustainability KPI to be included in variable compensation scheme for executive board members
Strategy	Describe the **climate-related risks and opportunities** the organization has **identified** over the short, medium and long term	Quantify credit exposure to carbon-related assets & mix energy generation in utilities First climate risks (transition & physical) defined	Update risks and opportunities definition that are material for BBVA
	Describe the **impact** of climate-related risks and opportunities on the organization´s businesses, strategy and financial planning	Pledge 2025. Strategy on climate change and sustainable development Product portfolio defined at CIB Dashboard for climate finance in 2018	Climate issues in strategic planning Retail business opportunities
	Describe the **resilience** of the organization's strategy, taking into consideration **different scenarios**, including a 2ºC or lower scenario	Climate scenarios: participation in pilot group with UNEP FI Joint the initiative to develop methodologies to assess the alignment of lending portfolios to the Paris Ag	Second climate scenario exercise Pilot PACTA methodology in most intensive sectors
Risk management	Describe the organization's **processes for identifying** and assessing climate-related risks	Sustainable Finance Working Group oversights climate-related risks identification Research unit & Public Affairs unit update regulation trends	Process formalization
	Describe the organization's **processes for managing** climate-related risks	New sector norms approved by the CEO Equator Principles implemented Due diligence processes in clients, transactions & products implementation	Update sector norms & conclude implementation Inclusion in key industry frameworks
	Describe how processes for identifying, assessing & managing these risks are **integrated** into the organization's **overall risk management**		Integration as emerging risk Road map definition to fully integration
Metrics and targets	Disclose the **metrics** used to assess climate-related risks and opportunities in line with its strategy and risk management process	Quantify credit exposure to carbon-related assets & mix energy generation in utilities Dashboard for climate finance in 2018	Definition of key sector metrics to assess Paris alignment
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 **greenhouse gas (GHG) emissions**	Emissions reported Scope 1 , Scope 2 Committed with Science Based Targets Initiative	
	Describe the targets used by the organization to manage climate-related risks and opportunities and **performance against targets**	Performance reporting in 2018 against targets set: mobilize €100 Billion 2018-2025. Renewable energy 70% and 68% reduction in direct GHG emissions. 100% renewable energy in 2030	Enhance granularity of climate finance targets at country & product level Define targets on climate pathways at the most relevant sectors

Principles for Responsible Banking

In 2018, BBVA joined forces with 27 other banks to develop a set of Principles for Responsible Banking. Under the auspices of the United Nations Environment Programme Finance Initiative (UNEP FI), these Principles for Responsible Banking are a collective response for aligning the banking industry with long-term objectives in order to better integrate social and environmental challenges. By committing to the new framework, banks will adapt their businesses to the UN's Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.

The Principles for Responsible Banking are articulated around six lines of action: alignment; impact; clients & customers; stakeholders; governance and target setting; and transparency and accountability.

Which are the principles?

1 **ALIGNMENT**

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks. We will focus our efforts where we have the most significant impact

2 **IMPACT**

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services

3 **CLIENTS AND CUSTOMERS**

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations

4 **STAKEHOLDERS**

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals

5 **GOVERNANCE AND TARGET SETTING**

We will implement our commitment to these Principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impacts

6 **TRANSPARENCY AND ACCOUNTABILITY**

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals

The signatories commit to being publicly accountable for their significant positive and negative social, environmental and economic impacts. They also agree to set public targets on addressing their most significant negative impacts and scaling up their **positive impacts**. Banks that fail to meet transparency requirements, set adequate targets and demonstrate progress will face removal from the list of signatories to these Principles.

The Principles entered a public **consultation** period with various stakeholders, before they will be signed by banks from around the world at the United Nations General Assembly in September 2019.

The Katowice Commitment

BBVA joined ING, BNP Paribas, Société Générale and Standard Chartered in backing the Katowice Commitment , an initiative that aims to develop an **impact assessment** methodology to adapt our loan portfolio to the Paris Agreement on climate change.

In an open letter addressed to the world leaders and heads of government 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.

Community investment

Investment in social programs

Financial education

Entrepreneurship

Knowledge, education and culture

Community investment

BBVA strives to be an engine of opportunities for people and to generate a positive impact in their lives. Through various social programs, we deliver on BBVA's purpose. Put all the opportunities of this new era within reach of everyone. In particular, for those in more difficult situations, including more vulnerable individuals.

Investment in social programs

In 2018, BBVA allocated

104.5 €M

to **social initiatives**

that have benefited more than

+8 Million

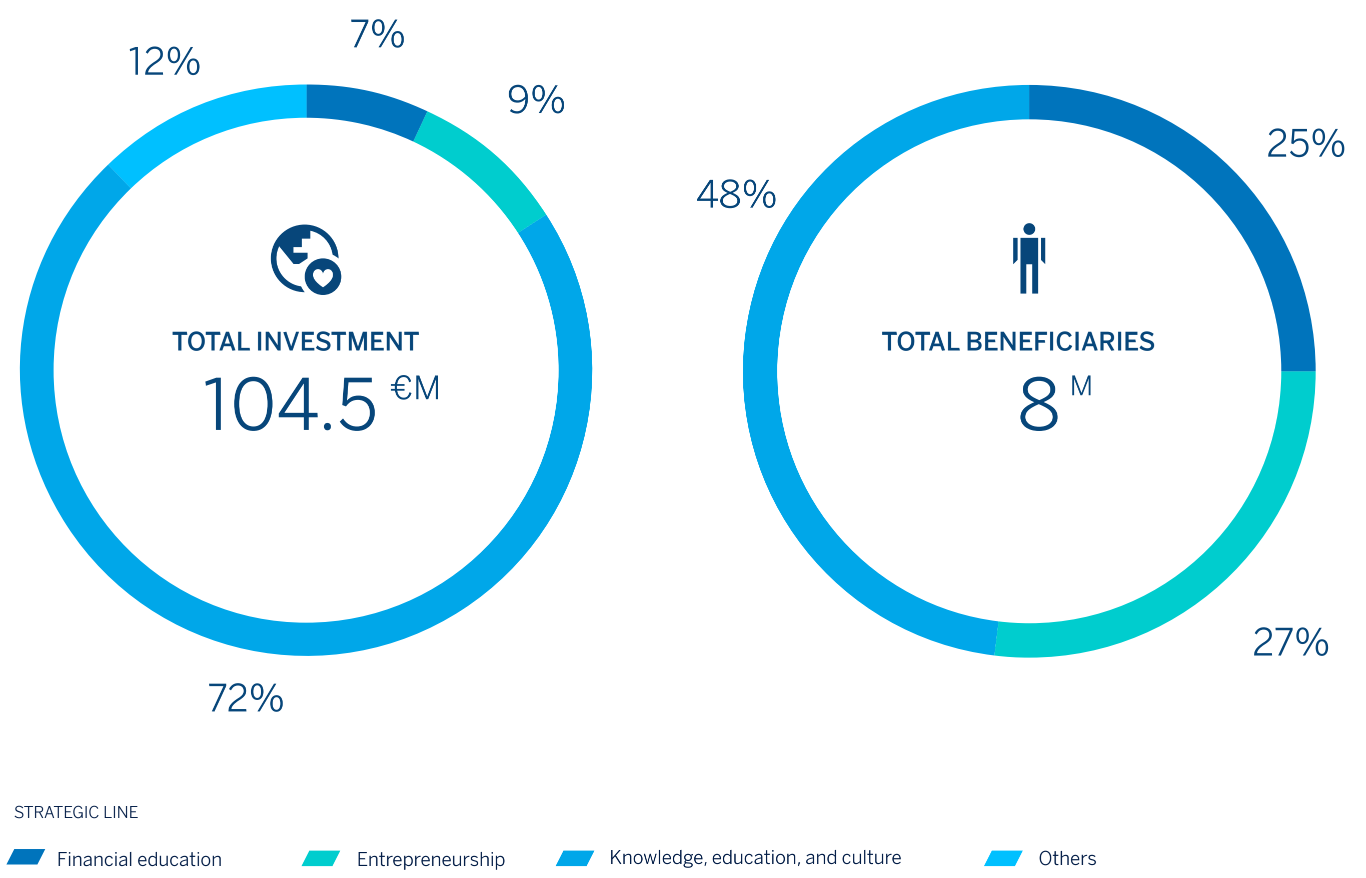
people

This figure represented approximately

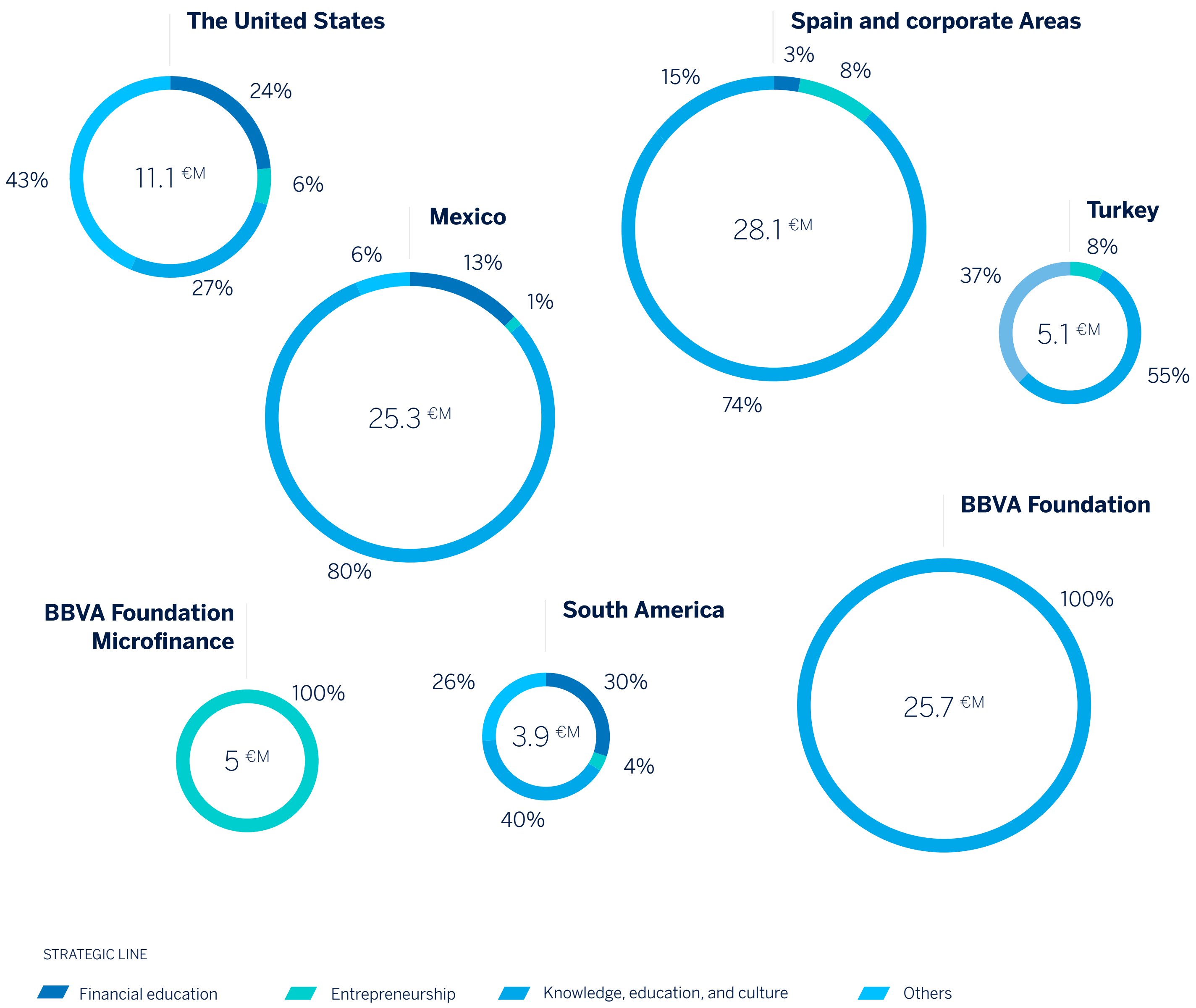
2%

of the **Group's net attributable profit**

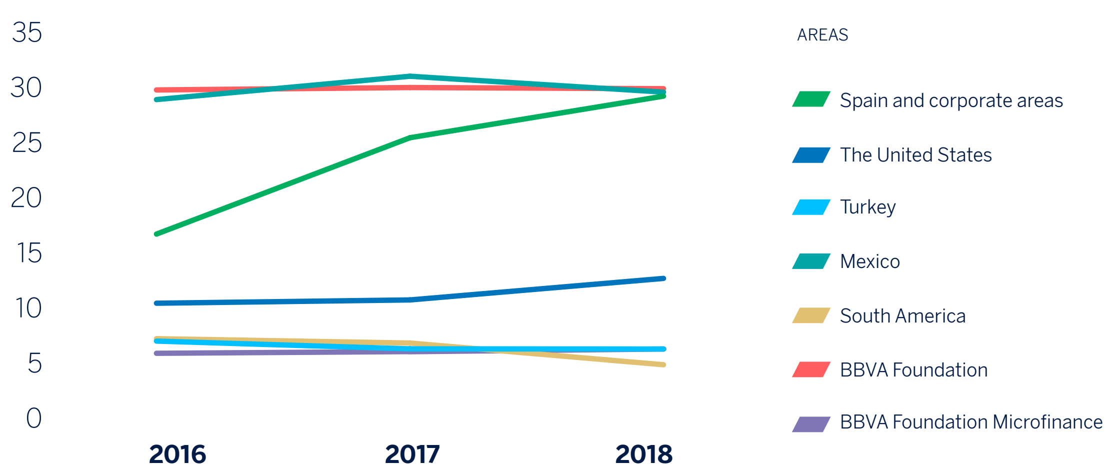
Investment in social programs and beneficiaries by strategic line



Investment allocation by strategic line and geographical areas and foundations



Evolution of investment by geographical areas and foundation (2016-2018)



BBVA channeled its investment through its local banks and corporate foundations. We contributed to the development of society in the countries in which we are present. The Foundations play a fundamental role in channeling a vital part of the group's social investment initiatives.

The BBVA Foundation focuses on the promotion of knowledge, culture, the dissemination of science and art, and 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.

The BBVA Microfinance Foundation is a non-profit organization formed in 2007 by BBVA within the framework of its corporate social responsibility to support vulnerable people and provide them with access to productive activities, with a budget of 300 million dollars and its experience of more than 150 years. Its objective is to create opportunities for people in vulnerable situations, expanding and facilitating access to financial services. For this, it uses a proprietary methodology called “Productive Finance”, which seeks the development of the customer and offers personalized attention to the entrepreneurs to whom it provides. That is, it provides not only financial products and services, but also advice and training for the administration and financial management of their small businesses.

In 2018, BBVA continued to push forward the **strategic priorities** of the Community Investment Plan for the 2016-2018 period, which include:

- **Financial education**, aimed at promoting the acquisition of financial skills and competencies to enable people to make informed financial decisions.
- **Social entrepreneurship**, designed to support the most vulnerable entrepreneurs and those whose companies have a positive social impact.
- **Knowledge, education, and culture**, by supporting initiatives that promote development and that allow the creation of opportunities for people. **Education for society**, which is framed within this strategic line, shares priority with other initiatives of the Group, such as the activities of the BBVA Foundation and the research work carried out by the BBVA Research Department.

Since 2016, BBVA's activity of **community involvement** has focused on these three strategic lines; however, at a local level, the Group's banks have maintained their investment commitments in the community to face local social challenges. In this sense, the Social Entities Support Program promotes the implementation of cultural, educational, and community development projects by non-governmental organizations, social entities, and other non-profit associations.

Throughout the three years in which the Community Investment Plan has been in force, BBVA has contributed significantly to the development of the communities in which it is present, which benefit from the social programs offered to more than 24 million people.

The perception of BBVA as a company that contributes positively to society has evolved positively over the years of validity of the plan. At the end of 2015, BBVA occupied the third and fourth places in the citizenship ranking in 5 of 9 countries in which it is located, enjoying leadership only in Argentina, Mexico, and Spain. BBVA currently ranks first or second in all the countries where it is present.

Financial education

Financial education is one of our strategic priorities established in the Community Investment Plan. The global objective of BBVA's commitment to financial education is to promote a concept of financial education in the broad sense, through the Global Financial Education Plan, based on three lines of action:

- **Financial education for society:** Encourage the acquisition of knowledge, skills and attitudes in all countries where BBVA operates, through its own programs and in collaboration with third parties, in order to achieve greater knowledge of financial concepts and a change in behavior in financial decision-making.
- **Promotion of financial education:** Promote the importance of knowledge and financial capabilities, as a fundamental issue that has a direct impact on the well-being of people.
- **Financial education in customer solutions:** Integrate financial capabilities in the customer's experience in order to facilitate informed decision-making, which will result in an improvement in their financial well-being and allow them to access greater opportunities.

Our commitment to financial education is long-term, with more than € 80 million invested and more than 13.4 million people benefited in different programs since 2008.

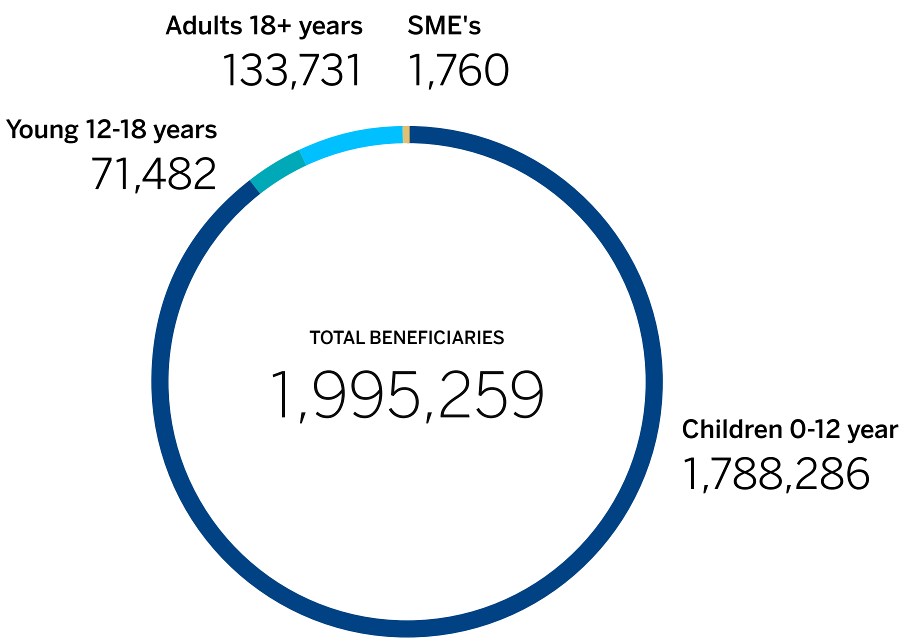
In 2018, investment in the development of the Global Financial Education Plan was €7.5 million.

Financial education for society

In 2018, 1,995,259 people benefited from financial education programs.

BBVA's commitment to financial education includes programs aimed at children and young people, adults, and small- and medium-sized businesses. These programs make face-to-face and online workshops, videos available to society, as well as a whole series of financial tools and tips to improve knowledge and acquire the skills that help people make better financial decisions and, therefore, have more opportunities.

Furthermore, the BBVA Microfinance Foundation promotes education and the development of financial and other capacities related to the management of its customers' small businesses. Throughout all of its entities, the Foundation provides its 2 million customers with the knowledge and the necessary support in order to advise ethically and responsibly on financial decisions related to access to adequate financial services and the performance of their production activities. In Chile, Fondo Esperanza trains all its clients in its Entrepreneurship School. In Colombia, Bancamía provides financial education through personalized advice and workshops. Finally, in Peru, Financiera Confianza implements financial education initiatives for groups of particularly vulnerable entrepreneurs.



Main initiatives of financial education for the society by countries

Argentina

Provide knowledge on financial education to children and young people with the aim of promoting social integration, training in values and the development of entrepreneurial skills.

Beneficiaries

2,554

Highlighted program

My first company

Colombia

Fomentar el conocimiento de conceptos básicos de economía y finanzas personales, así como adquirir habilidades para hacer un uso adecuado de los productos financieros y aportar a las personas herramientas para mejorar su salud financiera.

Beneficiaries

104,410

Highlighted program

Entrepreneurship School

Spain

Promote values related to the responsible use of money and the acquisition of financial literacy skills aligned with the PISA Report in order to prepare children and young people for their future and promote financial education for adults, so that they are able to make informed decisions and provide content to contribute to the most thorough knowledge possible of the pension system.

Beneficiaries

1,277,576

Highlighted program

Future Values

The United States

Improve financial well-being through financial education in communities by providing knowledge about banking services and effective management of money and credit to improve financial health.

Beneficiaries

10,229

Highlighted program

Financial education for adults (EverFi)

Mexico

Help make well-informed, conscious decisions that promote the well-being of personal finances, through the choice of products and/or banking services according to your needs, favoring the acquisition of financial skills.

Beneficiaries

589,937

Highlighted program

Financial education in Mexico

Paraguay

Provide people with basic financial training to assist them in making better decisions about their finances, strengthening the practical application of concepts through interactive exercises and calculators.

Beneficiaries

2,070

Highlighted program

Financial education in Paraguay

Peru

Facilitate the understanding of products and services, through educational conferences held nationwide.

Beneficiaries

1,459

Highlighted program

Financial education in Peru

Turkey

Provide tools for young people and teachers tools for the development of their financial capacities.

Beneficiaries

5,250

Highlighted program

5 Pebbles - Social & Financial Leadership

Uruguay

Contribute to a more responsible society in the management of financial tools and promote the banking process by supporting the education of individuals, focusing on the improvement of their current and future personal financial situation.

Beneficiaries

479

Highlighted program

Financial education in Uruguay

Venezuela

To develop knowledge and financial skills, promoting training and education in financial education and its impact on the well-being of people.

Beneficiaries

1,295

Highlighted program

Chair of Financial Education and Entrepreneurship BBVA Provincial Foundation

Financial education in customer solutions

At BBVA we are able to help our customers improve their financial welfare situation by creating opportunities to achieve their dreams. Since 2017, we have been transferring experience in the field of practical teaching of financial education to direct customer experience. Financial education allows the customer to be assisted throughout the process of making financial decisions, covering their lack of knowledge and skills and empowering the client to make better decisions and creating a balanced and trusting relationship with the customer.

The year 2018 has been a key year in the development of global and local solutions for customers that integrate financial education through tips, contextual aids, reminders and communications. These solutions help customers improve the management of their personal finances, optimize their financial skills and accompany them throughout their financial life, so that they can access new opportunities and fulfill their dreams. The details of these developments can be found in the Customer Experience section.

Promotion of financial education

For BBVA, financial education has a high social value for both societies and individuals. It is essential to create awareness of the need for it, and to foster collaboration among the different relevant actors in both educational as well as financial capacities.

For this reason, BBVA collaborates with a number of national and multinational organizations, promoting the creation of multidisciplinary spaces of knowledge and debate and supporting research on the most diverse issues of education and financial training.

Through the Center for Financial Education and Capability, created in 2017, BBVA continues to channel its efforts in the promotion of financial education globally. This Center is advised by a team of financial education experts that includes representatives of organizations as reputable as the IDB, the World Bank, the CAF, the European Banking Federation, the

Organization for Economic Cooperation and Development (OECD) or the Ibero-American General Secretariat, among others. In addition, the Center promotes research supporting innovative research projects and collaborates with more than 10 research centers worldwide. The Center promotes the creation of knowledge spaces where debate and reflection on the most current issues related to education and financial capabilities are invited. The EduFin Summit is the global event of reference. Held in Mexico City in 2017 and in Buenos Aires in 2018, the meeting gathers each year more than 200 participants from 16 nationalities to share knowledge and address the present and future challenges of financial education.

Entrepreneurship

In the 2016-2018 Community Investment Plan the entrepreneurship support programs are organized into a strategic line that became particularly important. It has been a boost for the development of programs and initiatives aimed at the most vulnerable entrepreneurs in our society, and those that generate a positive social impact through their companies. In 2018, BBVA allocated close to €9 million, which has benefited 2.2 million people.

BBVA also promotes the ecosystem of social entrepreneurship through its participation in leading organizations such as The European Venture Philanthropy Association and The Aspen Network of Development Entrepreneurs (ANDE).

Below we explain what the most important entrepreneurship support initiatives are due to their impact at a global and/or local level in the countries in which BBVA is present during 2018.

Global initiatives

BBVA Momentum

Supports social entrepreneurs to grow and expand their impact. Offers training, strategic support, networking, visibility and access to financing.

Launch year
2011

Beneficiaries
519 entrepreneurs

Countries
6

Executives involved
319

momentum.bbva.com

BBVA Open Talent

The largest 'fintech' competition held at a global level that aims to identify and recognize the 'startups' with the greatest potential to transform financial services. Promotes alliances based on open innovation.

Launch year
2008

Prizes
€1.63 M

Countries
+80

Executives involved **+700**

Beneficiaries
600 startups

opentalent.bbva.com

Fundación BBVA MicroFinanzas

Promotes the sustainable and inclusive economic and social development of vulnerable entrepreneurs through Productive Finance.
It has two lines of action: build a group of sustainable and innovative microfinance entities and promote the transformation of the microfinance sector.

Launch year
2007

Productive credit since launch
$11,775 M

Beneficiaries
2 million (customers)

Countries
5

Employees
8,022

fundacionmicrofinanzasbbva.org

BBVA Blue Challenge

Offers training in entrepreneurship techniques to university students to help them channel all their energy into the development of projects may allow them to change the world.

Launch year
2016

Beneficiaries
5,018 young

Countries
26

bluebbva.com

Local iniciatives

Argentina

Provides visibility and recognizes the most innovative entrepreneurs in the agricultural and livestock sector.

Featured local initiative

Agricultural Entrepreneur Award

Spain

Promotes an ecosystem of innovation and entrepreneurship through different lines of action: learning spaces open to society.

Featured local initiative

BBVA Open Space

México

Promotes an ecosystem of innovation and entrepreneurship through different lines of action: learning spaces open to society.

Featured local initiative

Productive and Educational Centers

Colombia

Promotes the development of entrepreneurial skills among young people, who accompany them in the creation of new business ideas and promotes the growth of existing social enterprises.

Featured local initiative

Entrepreneurship School

The United States

Promotes an ecosystem of innovation and entrepreneurship through different lines of action: facilitates the incubation and acceleration of new businesses, contributes to the growth of small companies in the education or technology sector, collaborates with local Chambers of Commerce and provides loans.

Featured local initiative

Small Business

Turkey

Promotes an ecosystem of innovation and entrepreneurship through different lines of action: encourages female entrepreneurs by providing them with training, access to financing and visibility; It trains young people and connects them with entrepreneurs who serve as inspiration for entrepreneurship.

Featured local initiative

Women Entrepreneurs

Uruguay

Supports female entrepreneurs, including artists and artisans, through training, awareness and marketing of their products.

Featured local initiative

Art and Crafts Fair

Venezuela

Encourages the generation of ideas in order to promote the entrepreneurial spirit and the creation of companies.

Featured local initiative

Chair of Entrepreneurship at the Andrés Bello Catholic University

Knowledge, education and culture

Knowledge, education and culture are three areas of activity that are grouped together in a new strategic line of the Community Investment Plan for 2016-2018. This encompasses the activities carried out by the BBVA Foundation and the local initiatives of education and support for culture. In 2018, 75.5 million was invested that benefitted 3.8 million people

Knowledge

BBVA contributes to the dissemination of knowledge through the activities of BBVA Research, the BBVA Foundation and the Open Mind initiative.

BBVA Research, https://www.bbvaresearch.com/, studies the evolution of the economy and offers economic studies, reports and analyses to shareholders, investors and the general public. During 2018 1,334 economic publications have been elaborated.

The BBVA Foundation, https://www.fbbva.es, focuses its activity on the generation of knowledge. Expanding the frontiers of inherited knowledge is one of the most effective ways to successfully address the problems that affect society today, such as the environment, sustainable development, health, demographic changes, globalization, social integration, and innovation with the goal of creation of opportunities for the whole of society.

The direct impulse towards scientific research is one of the levers on which the BBVA Foundation is supported along with the dissemination of the knowledge generated and the recognition of talent. In this way, the results generated by the research are made available to the community as a Public Benefit.

Below, the main initiatives in support of science developed by the BBVA Foundation, that have benefitted more than 1.6 million people in 2018:

Research support:

- Becas Leonardo (Leonardo scholarships) to scientific researchers.
- Aid to Scientific Research Teams in Biomedicine, Ecology and Conservation Biology, Big Data, Economy and Digital Society, and Digital Humanities.

Knowledge spaces:

- Annual conference cycles:
  - The science of the cosmos, science in the cosmos," on the most cutting-edge research in the field of Astrophysics.
  - The Cycle "A History of Ideas," with the Royal Academy of History.
  - The Cycle on "Particle Physics" developed with CERN.
  - BBVA-JEEA Foundation Conferenc
- The scientific forums of excellence
  - The International Summer School of the Nicolás Cabrera Materials Science Institute (Autonomous University of Madrid)

Recognition:

- Royal Spanish Physics Awards - BBVA Foundation.
- Mathematical Research Awards Vicent Caselles Real Sociedad Matemática Española - BBVA Foundation.
- BBVA Foundation Awards for the Conservation of Biodiversity.
- BBVA Foundation Frontiers of Knowledge Award in 8 21st century disciplines
- Scientific Research Information Society Awards - BBVA Foundation.

Networking:

Comprehensive Program on Cancer Immunotherapy and Immunology with "Hospital Vall de Hebron de Barcelona" (Vall de Hebron Hospital of Barcelona)

PortalCLÍNIC with "Hospital Clínico de Barcelona" (Clinico Hospital of Barcelona)

Collaboration projects with the CSIC, CERN, and IVIE.

The **OpenMind** initiative, https://www.bbvaopenmind.com/, aims to contribute to the generation and dissemination of knowledge concerning fundamental issues of our time, in an open and free way. The project has taken shape in an online community with full disclosure.

It seeks to help people understand the principal phenomena around us that affect our lives; the opportunities and challenges that we face in areas such as science, technology, the humanities or the economy. The main objective of the project is to analyze the impact of scientific and technological advances on the future of the economy, society and our daily life, which always starts from the premise that a broader and better collection of knowledge will help us to make better individual and collective decisions.

In 2018, the book "The Age of perplexity: Rethinking the World We Knew" was published (available free of charge https://www.bbvaopenmind.com/en/books/the-age-of-perplexity/), in which 23 world experts try, in 20 small, independent tests, to throw light on certain hot topics such as the rise of populism, the era of big data, the relationship between globalization and new economy ... Faced with lack of resolution, confusion, and doubt (as the dictionary of the Royal Academy Spanish defines "perplejidad," or perplexity), the cure is knowledge and reflection.

It is the tenth book in a collection promoted by BBVA that is dedicated to the dissemination of knowledge on current fundamental issues. It was born as a strictly editorial initiative and later became part of the BBVA OpenMind project, an online community for debate and generation and dissemination of knowledge for society as a whole.

Education

Education for society is an extremely important aspect of BBVA's social investment as it continues to support access to education, educational quality and the development of 21st century key competences as sources of opportunity. It shares space with other initiatives of the Group, such as the activities of the BBVA Foundation. In 2018, a total of 279.909 people have directly benefitted from the following educational programs:

Access: Brief description: Scholarships to facilitate access to education for children, young, and/or adults.

- Children: "Niños Adelante" [Moving Children Forward] scholarship program in Colombia, Mexico, Paraguay, Peru, Uruguay, Venezuela.
- Young: "Becas Adelante" (Forward Scholarships) in Mexico, "Olimpiadas del Conocimiento" (Olympic Knowledge) scholarships in Mexico.
- Adults:
  - Scholarships for Latin American students to study the Interuniversity Master in Protection of Natural Spaces
  - "Becas Adelante" (Adelante Scholarships) with your University in Mexico
  - Scholarships Pontifical Catholic University in Peru
  - Higher education scholarships in the United States
  - Research grants from the Center for Education and Financial Work at a global level

Educational quality: Brief description: Promotes educational social innovation and talent among teachers, which provides access to training, knowledge, visibility and networks, through a variety of initiatives.

- "Acción Magistral" [Magistral Action] Program in Spain
- The Teachers Academy Foundation in Turkey
- The Teach for America in the United States
- "Premio Nacional al Docente" (National Teacher's Prize) in Colombia
- "Programa Papagayo" (Papagayo Program) in Venezuela
- Charter School Partnerships in the United States
- Program for the strengthening of public schools in the United States
- "Premio Giner de los Ríos" (Giner de los Ríos Prize) from the BBVA Foundation

XXI Century Skills: Facilitates the development of important XXI century skills for children and young people through inspiring audio-visual content and free and universal teaching methods for families and teachers.

- "BBVA Aprendemos Juntos" [Learn Together] in Spain
- "Socios por un día" [Partners for a Day] in Spain
- "Laboratorio de Robótica" (Robotic Lab) in Paraguay
- Math-Science Learning with Fun in Turkey
- Code the Future in Turkey
- Proyecto Conectados (Connected Project) in Spain

Others: Partnerships with institutions in the academic field to contribute to educational challenges in different countries.

Culture

The promotion of cultural creation of excellence is another lever of support of the BBVA Foundation to generate knowledge. It focuses its support on classical music, with an emphasis on contemporary music, visual arts, video art and digital art, as well as literature and theater. In 2018, more than 1.1 million people have benefited from the cultural initiatives promoted by the BBVA Foundation.

Below are the main cultural initiatives promoted by the BBVA Foundation in 2018:

Support for the creation of culture:

- "Becas Leonardo" (Leonardo scholarships) to cultural creators.
- " Becas Multiverso" (Multiverso Scholarships) for the creation of Video Art from the BBVA Foundation.

Collaborations :

- With museums: the Prado Museum, the Guggenheim Museum Bilbao, the Joan Miró Foundation.
- With theaters: the Teatro Real, the Gran Teatre del Liceu
- Others: Bilbao Association of Friends of the Opera, the Orchestra and Choir of the Community of Madrid, the Symphony Orchestra of Madrid, the Reina Sofía School of Music for the training of interpreters, the Young National Orchestra of Spain

Prizes:

Composition Award Spanish Association of Symphonic Orchestras (AEOS) -BBVA Foundation.

BBVA continues to support culture in the countries where it is present. In 2018, they have invested €5.4 million in cultural initiatives. The following local cultural support initiatives stand out:

- **Mexico:**
  - Bi Program: exchange and collaboration platform for the generation and dissemination of art and culture initiatives.
  - Bancomer-CCD Immersion Laboratory within the Digital Culture Center of Mexico City: first integral project of residences, creation, research, training and dissemination of the immersive arts in the country.
  - Hazlo [Do It] Short Film Contest www.hazloencortometraje.com: it promotes creation through film and recognizes the talent of young people who compete using topical subjects.
- **The United States:**

  Investment in culture is intended to ensure that people from lower and moderate income communities have access to art and that there are spaces and opportunities available to communities.
- **Peru:**

  Cusco Museum of Pre-Columbian Art: this year, it implemented the audioguide service that puts it on the level of the most friendly and modern museums in the world. It is the first museum of pre-Columbian art in the country, and uses these innovations to facilitate knowledge of the Andean cosmovision that governed ancient Peru.
  - Encuentra tu Poema [Find Your Poem] (phrase)
- **Turkey:**

  Salt Foundation: created in 2011 from the union of the Garanti Contemporary Art Center Platform, the Ottoman Bank Museum and the Garanti Gallery. It offers free access to exhibitions, archives, libraries, research facilities, etc.

Others

BBVA's community involvement activity includes other lines of action, such as volunteering, support for social entities, and the promotion of corporate responsibility through its participation in the main working groups.

Apoyo a entidades sociales

BBVA maintains open channels of communication with social entities in the various countries in which it operates. It promotes community development through its Support to Social Entities program. It channels its support through contributions to non-governmental organizations, social entities and other non-profit associations, in order to contribute to the main social and/or environmental causes facing society in the countries where it is present. Over the course of 2018, it allocated more than €6 million to support social entities.

- Territorios Solidarios (Solidary Territories) https://www.territoriosolidariobbva.com/ supported 176 social entities in Spain during 2018. In its sixth edition, the active employees of BBVA in Spain had the opportunity to propose and vote on the projects of non-profit entities of national scope that they wanted to promote.
- Partnerships with non-profit entities helping to cope with natural disasters in the United States and Mexico.
- "Premio Integra" (The Integra Award) for promotion of jobs for the disabled in Spain.
- Programa Eurosolidario" (Eurosolidarity) in Spain.

Corporate Governance

BBVA Corporate Governance System

Corporate Governance

BBVA Corporate Governance System

BBVA has a solid and effective **corporate governance system**, which is adapted to the reality of the Bank and its circumstances and needs, and allows for the appropriate management and oversight of the Entity (the Corporate Governance System).

The BBVA Corporate Governance System is in constant improvement and evolution, in order to be aligned with the strategy and corporate culture and values of the Bank, as well as with best practices and recommendations on corporate governance; taking into consideration applicable regulations, the outcome of supervisory actions and expectations, and the different points of view arising from direct contact and dialogue with shareholders, investors and proxy advisors.

BBVA Corporate Governance structure

The BBVA Corporate Governance System has been shaped over time based on the following **pillars**:

- An appropriate **composition of the Board and its Committees** ("Corporate Bodies")
- A clear **distribution of functions** between the Board of Directors and its Committees, and between these and Senior Management
- A sound **decision-making process** and a robust **informational model**
- A complete **monitoring, oversight and control system** of the management of the Entity

As a result, the BBVA Corporate Governance System has the following **structure**:

Shareholders	Oversight of the Board and **final say** on relevant matters	
Board of Directors	Unitary Board with **management** and **oversight** roles (one-tier board)	
Board Committees	Specialized **Board Committees** to assist the Board in the performance of its duties	Executive; Audit and Compliance; Risk; Remuneration; Appointments; Technology and Cibersecurity

Senior Management

The BBVA Corporate Governance System is expressed in different documents, internal regulations, procedures and practices that are aligned with the strategy and needs of the Entity, the regulatory and supervisory context and best market practices. Specifically, the Bank's Corporate Governance System is laid down in the Bylaws, the Regulations of the General Shareholders' Meeting, in Regulations of the Board of Directors; and, for certain Board Committees, their own regulations. All of these documents are available on the Bank's corporate website (www.bbva.com).

Shareholders

Considering the Bank's shareholding structure, the relationship model between BBVA and its shareholders is based on the following pillars:

01	**General Meeting**	• Has the power to decide on matters of utmost relevance for the Bank
02	**"One share, one vote" principle**	• There are no limitations on the exercise of shareholders' rights or the acquisition or transfer of shares • Equal treatment and same rights for all shareholders in the same position
03	**Policy on shareholders and investors' communication and contact**	• Based on the principles of transparency, veracity, immediacy and consistency in the disclosure of information • Encourages participation and exercise of the right to vote in General Shareholders' Meetings • Transparency and disclosure of information for the appropriate exercise of shareholders' rights • Active engagement policy with both institutional and retail shareholders This Policy, approved by the Board of Directors and which specifies the channels and means of communication and contacts with the Bank, is published on the BBVA corporate website.

Board of Directors

In line with Spanish regulations and market practice, BBVA has a "one-tier" board system, which entails the existence of a unique collegiate body, the Board of Directors, which is collectively responsible for the highest functions of management of the Entity (definition and approval of decisions) and of oversight and control of the management (monitoring and review of proper implementation), all with the purpose of promoting the corporate interest.

Functions

The most relevant **functions**, set out in the Regulations of the Board of Directors, are related to the following matters:

- Strategy and general policies
- Control and risk management (RAF)
- Annual budgets
- Capital and liquidity
- Strategic transactions
- Remuneration policy
- Financial and accounting information
- Appointment and removal of Senior Management
- Oversight of Senior Management
- Internal organization and annual self-assessment

The fact that these functions are reserved to the Board, without the possibility of delegating them, is a key element of **balance and control of management**, ensuring that the most relevant matters affecting the Entity are analysed and decided by the Board of Directors.

The approval of the overall strategy of the Group is one of the functions assigned to the Board of Directors. Thus, the Board of Directors defines and approves the **Strategic Plan** of BBVA Group, which includes the strategy to be followed by the Entity in the medium- and long-term, defining the guidelines through which the Group aims to reach its goals. For this purpose, the Strategic Plan is integrated in the decision-making process for the core strategic-prospective decisions regarding the management and control of the Group, such as (i) the risk appetite framework, (ii) the annual budget, (iii) the capital and liquidity self-assessment exercises, and (iv) the Group's recovery plan; all with the purpose of creating long-term value.

Composition

The composition of the Board of Directors is one of the key elements of the BBVA Corporate Governance System and, as such, must allow Corporate Bodies to carry out their management and oversight functions with different perspectives and opinions, ensuring the debate, analysis and challenge of the proposals submitted for their consideration, along with the necessary consensus in the decision-making.

- **Board refreshment process**

  On an on-going basis, the Bank undertakes a well-**ordered refreshment** process of its Corporate Bodies, in which their needs are analysed and the most suitable candidates to be appointed are identified, ensuring the appropriate composition of the Board at any given time.

  This process involves the Appointments Committee periodically analysing the structure, size and composition of the Board; considering the diversity of gender, knowledge, skills and experience required; the results of the assessment of the status of directors, their independent judgment and suitability, as well as the dedication required for the appropriate performance of the role; all of this according to the needs of the Corporate Bodies and taking into consideration the **Policy on the selection, appointment, rotation and diversity** of the Board of Directors, approved by this body in 2016.

As a result of the Board refreshment process, the General Shareholders' Meeting held in 2018 approved the re-election and appointment of different directors, which allowed: (i) to complete the knowledge and experience of the Corporate Bodies, especially in the areas of finance and regulation and supervision of the banking sector, as well as technology, and (ii) to increase diversity in terms of gender and international experience.

Additionally, in 2018, the Board of Directors approved key changes regarding executive directors, resulting in a new **Group Executive Chairman** and a new **Chief Executive Officer** being appointed, in execution of their respective succession plans, approved by the Board.

- **Independence**

In 2018, upon approval by the General Shareholders' Meeting of the proposals for the re-election and appointment of the corresponding directors, Board independence levels have been reinforced, achieving a number of **independent directors** that exceeds, at the date of this document, the **50%** target set out in the Policy. This high level of independence, both on the Board and on Committees, promotes the appropriate performance of management, oversight and control functions, as well as objective and independent judgment in the decisions adopted by the Corporate Bodies.

- **Diversity**

The Board of Directors has a diverse composition, combining directors with extensive experience and knowledge in banking and finance-related matters, with profiles that have experience and knowledge in various areas of interest to the Bank and its Group, such as auditing, the legal and academic fields, multinational companies, digital businesses and technology, both in Spain and internationally.

In addition, in its on-going refreshment process year after year, the Board has been reinforcing **diversity of gender, knowledge, experience and nationality**, incorporating new members that allow to adapt the Board's composition to the needs of the Group at all times.

This enables the Board as a whole to have an appropriate balance in its composition and suitable knowledge of the Bank and the Group's environment, activities, strategy and risks, contributing to a better performance of its functions.

- **Suitability and dedication**

BBVA directors have the necessary suitability to hold their positions, the required skills and the availability to devote the time required to fulfil their responsibilities. They are also subject to a strict system of incompatibilities and limitations established by applicable regulations, which includes, among other aspects, that they may only hold up to four non-executive directorships or one executive and two non-executive directorships.

The structure and operation of the BBVA Corporate Governance System involves a high level of activity of the Board and its Committees and, therefore, high dedication by directors as regards both the number of meetings and their preparation.

- **Directors' training**

In order to assist directors in acquiring, updating and reinforcing their knowledge and skills for a better performance of their duties, the Board of Directors has several initiatives in place for the training of its members. These ensure a proper understanding of all the issues submitted for consideration of the Bank's Corporate Bodies, with special focus on topics related to the banking business and technology.

- **Checks and balances**

The Board composition allows for the implementation of a system for the distribution of functions among the different Corporate Bodies and its members, to ensure appropriate checks & balances at all times and, accordingly, avoid the concentration of powers in one person or body.

In this regard, the BBVA Board of Directors has an Executive Chairman and a Chief Executive Officer. Both have different functions and responsibilities, which ensure appropriate oversight and control of management by the Corporate Bodies, as well as drive the Bank's strategy from the executive level throughout the entire Bank. Moreover, to strengthen these checks and balances, the Board of Directors has appointed, among the independent directors, a Lead Director, who has all the functions conferred both by law and by good governance recommendations, following best national and international practices.

This checks & balances structure was revised in 2018 within the framework of the approval of the succession plans for the Chairman and for the Chief Executive Officer, establishing a **direct report** from the Chief Executive Officer to the Board (thus eliminating the report to the Chairman) and a new distribution of functions among them.

Additionally, in the framework of these changes, the Board of Directors approved a new organizational structure, which involved, among other aspects, the reinforcement of the **independence** of the internal control areas, establishing a direct report from the respective heads to the Board of Directors through their corresponding Committees.

Board Committees

To ensure a better performance of its functions through a suitable decision-making process, the BBVA Board of Directors has established **specific Committees** that assist it in matters falling within their remit, with a coordinated working system among them.

These Committees are essential to ensure the **correct discharge of the management oversight and control functions** of the Board, on the basis of a system that guarantees full independence from the executive level, and therefore strengthening the checks & balances structure of BBVA Corporate Governance System.

The Board of Directors has set up six specific Committees with broad and relevant functions: the Executive Committee, the Audit and Compliance Committee, the Risk Committee, the Remuneration Committee, the Appointments Committee and the Technology and Cybersecurity Committee.

These Committees have a clear allocation of functions, both in the Regulations of the Board of Directors and, where applicable, in their specific Regulations, and have the necessary resources for their operation, free access to the Group's Senior Management and the ability to engage external advisors when deemed necessary.

The **Executive Committee**, as delegated body, performs both management functions and oversight and control functions. The rest of the Committees assist the Board in the performance of control and oversight functions, as well as the analysis of the decisions that correspond to them.

As a result, these Committees contribute to a suitable decision-making process, analysing in detail the proposals submitted for their consideration and challenging the approaches of the Senior Management through the direct interaction with them.

Decision-making process of the corporate bodies and informational model

The operation of BBVA's Corporate Bodies is based on a sound decision-making process, which is in constant evolution, and which involves the interaction among Corporate Bodies and with the Bank's Senior Management, integrating the work carried out in the Committees and in the Board of Directors. This decision-making process entails the involvement of the Board Committees in matters falling within their remit, reinforcing the analysis and review of the matters submitted for consideration of the Corporate Bodies.

Key features of the decision-making process of corporate bodies

- In general, the Board Committees analyse in detail matters that fall within their remit prior to their submission to the Board of Directors, and perform an in-depth review of the issues submitted by Senior Management. This ensures that proposals to be submitted to the Board include the opinions, indications and requirements that may arise from this analysis and discussion process and that these are in line with the strategies and policies approved by the Board of Directors.

- Following analysis by the different Committees, the proposals are submitted to the Board for final approval and decision.

- Once the corresponding resolution has been adopted by the relevant corporate body, it delegates the implementation of the decisions to the Senior Management in charge of the relevant areas, which have the appropriate oversight and control systems by Corporate Bodies.

Likewise, as a key element of the decision-making process, BBVA also has an **information model** for the Corporate Bodies that allows decisions to be made based on sufficient, complete and comprehensive information. This model contributes to ensuring that all the issues submitted to the Corporate Bodies are analysed from all perspectives by the specialist Committees and that the Board adopts decisions based on complete and suitable information.

Example of the decision-making process in BBVA

Oversight, control and monitoring system

The BBVA Corporate Governance System incorporates an oversight and monitoring system of the decisions adopted by the Corporate Bodies in the performance of their functions.

As a result, once the corresponding decisions have been adopted, the Board of Directors assigns the responsibility for their execution and implementation to the corresponding executive areas and performs general oversight and control functions over the Entity and of the implementation of the Board's decisions by the Senior Management, for which it relies on its different Committees. To perform these oversight functions, the Senior Management may attend, on a regular basis, meetings of the Corporate Bodies. This allows not only the oversight and control of their actions, but also the dissemination of the corporate culture and strategy from the Corporate Bodies to the rest of the Bank.

These monitoring, oversight and control functions performed directly by the Board of Directors and, in a more specific and detailed fashion, by its different Committees, combined with management functions, provide the Board with a comprehensive view of the Bank's position and businesses and of the work carried out by the Senior Management, which, in turn, allows to adopt the decisions deemed appropriate at any given time.

Self-assessment of performance of Corporate Bodies

The **quality and efficiency** of the performance of the Board of Directors and its Committees is assessed annually by the Board through a process directed and coordinated by the Chairman of the Board and the chairs of the Committees. This assessment is based on the reports submitted by the respective chairs of the Committees, which include a description of the activities carried out by the Committees throughout the year in the performance of the functions assigned.

This annual self-assessment process is a core element in the analysis of the efficiency of the BBVA Corporate Governance System. It is conducted by the Board of Directors on an ongoing basis throughout the year and ensures the Board's proper performance. Accordingly, it allows for a continuous evolution of the System to adapt it to the needs of the Corporate Bodies at any time, in accordance with the circumstances that may affect the Entity and its environment.

For more information in this regard, please see the document "**BBVA Corporate Governance Overview 2018**", available on the Bank's website.

Report preparation guidelines

Criteria and standards

GRI indicators

Independent assurance report

Report preparation guidelines

Criteria and standards

The BBVA in 2018 report has been prepared in accordance with the latest reporting trends. This involves following various internationally recognized standards, such as the Conceptual Framework of the IIRC (hereinafter the <IR> Framework), the GRI Standards (comprehensive option) and the AA1000 standard.

The <IR> Framework has been developed by the International Integrated Reporting Council (IIRC), the global coalition of regulators, investors, companies, regulators of standards, issuers of regulations, accounting professionals and non-governmental organizations (NGOs). This <IR> Framework sets out the principles and contents that govern an integrated report.

In accordance with the <IR> Framework, the BBVA in 2018 report contains relevant and concise financial and non-financial information about the strategy, corporate governance and performance of BBVA Group in the year ending 31 December 2018. This effort focuses not only on financial results but also on the progress, achievements and impacts achieved in our relationships with stakeholders.

The report includes a materiality analysis, which identifies the relevant issues for stakeholders. Different approaches to deal with these issues are used throughout the report. The scope of the materiality analysis extends to the BBVA Group.

In addition, it includes information on the social impacts generated from the Bank´s activity, based on the recommendations for reporting on the creation of value and social impact, which are proposed in the application Guide of the concept of capitals of the <IR> Banking Network. BBVA has been a member of this group since 2011, as a pioneer in Spain.

This report has also been drafted in accordance with the GRI Standards, at a comprehensive level, including relative information about basic, general and specific content and the financial supplement for which information has been available for publication. It also follows the AA1000 APS standard.

In addition, this information reflects the 2017 Progress Report on the United Nations Global Compact and includes BBVA actions related to the United Nations Millennium Development Goals and informs about the incorporation of the Bank to the pilot group of banks that works for the implementation of the recommendations of the Task Force on Climate-related Disclosures.

The English version of the BBVA in 2018 report is a translation of the original in Spanish, for information purposes only. In case of discrepancy, the Spanish original will prevail.

Principles to guarantee information quality

The principles for preparing the non-financial information of the BBVA in 2018 report are in line with the GRI Standards guidelines in terms of definition of content and information quality:

- Stakeholder engagement: BBVA specifies its stakeholders and explains how it has responded to their reasonable expectations and interests.
- Sustainability context: The non-financial information in the BBVA in 2018 report presents the organization's performance in the broadest context of sustainability, considering the information available.
- Materiality: The non-financial information in the BBVA in 2018 report covers aspects that show the organization's significant economic, environmental and social impact, or that considerably influence stakeholder evaluations and decisions.
- Exhaustiveness: The non-financial information in the BBVA in 2018 report deals with material aspects and their coverage, reflecting their significant economic, environmental and social impacts. The stakeholders can also analyze the organization's performance during the period under analysis.
- Equilibrium: The non-financial information in the BBVA in 2018 report reflects both the positive and negative aspects of its performance in order to provide an informed evaluation of its overall performance.
- Comparability: BBVA presents the information consistently so that stakeholders can analyze the changes in BBVA's performance.

- Accuracy: The information is accurate and detailed enough for stakeholders to analyze the organization's performance.
- Punctuality: BBVA presents its reports in accordance with a regular calendar, so that stakeholders can access the information when required and make informed decisions.
- Clarity: The information is presented in such a way that the stakeholders at which it is targeted can easily access and understand it.
- Reliability: The information has been compiled, registered, analyzed and presented so that it can be evaluated by an external auditor. The scope and methodology of the external review conducted, complementary to the Other Non-financial Information Report, can be viewed in the "Independent Review Report of the non-financial information in the the BBVA en 2018 report" of BBVA Group. An action plan is then drawn up to ensure that the recommendations arising from review processes are implemented.

GRI indicators

General standard disclosures GRI STANDARDS

Indicator		Chapter / direct answer	External Verification
Organizational Profile			
GRI 102	**General Content**		
102-1	Name of the organization	About BBVA	✓
102-2	Activities, brands, products, and services	About BBVA	✓
102-3	Location of headquarters	About BBVA	✓
102-4	Location of operations	About BBVA	✓
102-5	Ownership and legal form	Group information Annual Accounts (Note 1) Annual Corporate Governance Report (Section A)	✓
102-6	Markets served	Environment	✓
102-7	Scale of the organization	Group information Business areas	✓
102-8	Information on employees and other workers	People management	✓
102-9	Supply chain	Suppliers	✓
102-10	Significant changes to the organization and its supply chain	Business areas Annual Accounts (Note 3)	✓
102-11	Precautionary Principle or approach	Responsible banking model Responsible practices	✓
102-12	External initiatives	Responsible banking model Responsible practices Management of environmental and social impacts	✓
102-13	Membership of associations	Responsible banking model Ethical behavior Management of environmental and social impacts	✓
Strategy			
102-14	Statement from senior decision-maker	Letter from the Group Executive Chairman	✓
102-15	Key impacts, risks, and opportunities	Letter from the Group Executive Chairman	✓
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	Responsible banking model Responsible practices	✓
102-17	Mechanisms for advice and concerns about ethics	Responsible practices	✓
Governance			
102-18	Governance structure	Corporate Governance Annual Repport (Section C)	✓
102-19	Delegating authority	Responsible banking model Corporate Governance Annual Repport (Section C)	✓
102-20	Executive-level responsibility for economic, environmental, and social topics	Responsible banking model Annual Corporate Governance Report	✓
102-21	Consulting stakeholders on economic, environmental, and social topics	Corporate Governance Annual Repport Responsible practices	✓
102-22	Composition of the highest governance body and its committees	Corporate Governance Annual Repport (Section C)	✓
102-23	Chair of the highest governance body	Corporate Governance Annual Repport (Section C)	✓
102-24	Nominating and selecting the highest governance body	Corporate Governance Annual Repport (Section C)	✓
102-25	Conflicts of interest	Corporate Governance Annual Repport (Section C)	✓
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance Annual Repport (Section C)	✓
102-27	Collective knowledge of highest governance body	Corporate Governance Annual Repport Responsible practices	✓
102-28	Evaluating the highest governance body's performance	Corporate Governance Annual Repport (Section C)	✓

Indicator		Chapter / direct answer	External Verification
102-29	Identifying and managing economic, environmental, and social impacts	Corporate Governance Annual Repport (Sections C,E)	✓
102-30	Effectiveness of risk management processes	Corporate Governance Annual Repport (Sections C,E)	✓
102-31	Review of economic, environmental, and social topics	Corporate Governance Annual Repport (Sections C,E)	✓
102-32	Highest governance body's role in sustainability reporting	Responsible banking model	✓
102-33	Communicating critical concerns	Strategy and business model Corporate Governance Annual Repport (Section C)	✓
102-34	Nature and total number of critical concerns	Strategy and business model	✓
102-35	Remuneration policies	Remuneration Remuneration Committee Activity Reports	✓
102-36	Process for determining remuneration	Remuneration Remuneration Committee Activity Report	✓ (1)
102-37	Stakeholders' involvement in remuneration	Strategy and business model Corporate Governance Remuneration Committee Activity Report	✓
102-38	Annual total compensation ratio	Strategy and business model Corporate Governance Remuneration Committee Activity Report	✓
102-39	Percentage increase in annual total compensation ratio	Remuneration	✓
Stakeholder Engagement			
102-40	List of stakeholder groups	Materiality	✓
102-41	Collective bargaining agreements	Working enviroment	✓
102-42	Identifying and selecting stakeholders	Materiality	✓
102-43	Approach to stakeholder engagement	Materiality	✓
102-44	Key topics and concerns raised	Materiality	✓
Report elaboration practices			
102-45	Entities included in the consolidated financial statements	Group information Annual Accounts(Note 3)	✓
102-46	Defining report content and topic Boundaries	Materiality Criteria and standards	✓
102-47	List of material topics	Materiality	✓
102-48	Restatements of information	Criteria and standards	✓
102-49	Changes in reporting	Criteria and standards	✓
102-50	Reporting period	Criteria and standards	✓
102-51	Date of most recent report	Criteria and standards	✓
102-52	Reporting cycle	Criteria and standards	✓
102-53	Contact point for questions regarding the report	Criteria and standards	✓
102-54	Claims of reporting in accordance with the GRI Standards	Optional comprehensive conformity Criteria and standards	✓
102-55	GRI content index	GRI Indicators	✓
102-56	External assurance	Independent assurance report	✓

Basic specific disclosures GRI STANDARDS

Economic category

Indicator		Chapter	Scope	External verification	Material aspects identified and coverage of the material aspect
GRI 201	**Economic Performance**				
201-1	Direct economic value generated and distributed	€23,747 Million direct economic value generated	Global	✓	Solvency and financial management (Internal) Contribution to the development of local societies (internal)
201-2	Financial implications and other risks and opportunities due to climate change	Environmental, social and reputational risks CDP 2017 Climate Change (CC0.1 and CC0.2) Sustainable finance Engagement (TCFD)	Global	✓	Eco-efficiency, environment, climate change (internal)
201-3	Defined benefit plan obligations and other retirement plans	Annual Accounts (Note 2.2.12) Annual Accounts (25. Post_employment retributions and other commitments to employees)	Global	✓	Talent attraction, development and retention
201-4	Financial assistance received from government	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.	Spain	✓	Solvency and financial management (internal)
GRI 202	**Market Presence**				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Confidential information		X	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
202-2	Proportion of senior management hired from the local community	The percentage of Management team working in their country of birth is 87.64%	Global	✓(2)	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
GRI 203	**Indirect Economic Impacts**				
203-1	Infrastructure investments and services supported	Community investment Sustainable finance	Global	✓	Contribution to the development of local societies (external)
203-2	Significant indirect economic impacts	Community investment	Global	✓	Contribution to the development of local societies (external)
GRI 204	**Procurement Practices**				
204-1	Proportion of spending on local suppliers	Suppliers	Global	✓ (2)	Responsible procurement (external)
GRI 205	**Anti-corruption**				
205-1	Operations assessed for risks related to corruption	Responsible practices	Global	✓	Good corporate governance (mixed) Ethical conduct (mixed)
205-2	Communication and training about anti-corruption policies and procedures	Responsible practices	Global	✓	Good corporate governance (mixed) Ethical conduct (mixed)
205-3	Confirmed incidents of corruption and actions taken	Confidential information		×	Ethical conduct (mixed)
GRI 206	**Anti-competitive Behavior**				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	BBVA has not identified any significant lawsuit in which a final ruling against this concept has been issued	Global	✓	Good corporate governance (mixed) Ethical conduct (mixed)

Environmental category

Indicator		Chapter	Scope	External verification	Material aspects identified and coverage of the material aspect
GRI 301	**Materials**				
301-1	Materials used by weight or volume	Eco-efficiency	Global	✓ (3)	Eco-efficiency, environment, climate change (external)
301-2	Recycled input materials used	All paper consumed in Spain is environmental respectfull and 100% certified	Spain	✓ (3)	Climate change, Eco-efficiency (external)
301-3	Reclaimed products and their packaging materials	Given the activities of BBVA Group, this indicator is not considered material.		×	
GRI 302	**Energy**				
302-1	Energy consumption within the organization	Eco-efficiency	Global	✓ (3)	Climate change, Eco-efficiency (external)
302-2	Energy consumption outside of the organization	Given the activities of BBVA Group, this indicator is not considered material.		×	
302-3	Energy intensity	Eco-efficiency	Global	✓(3)	Climate change, Eco-efficiency (external)
302-4	Reduction of energy consumption	Eco-efficiency	Global	✓(3)	Climate change, Eco-efficiency (external)
302-5	Reductions in energy requirements of products and services	Given the activities of BBVA Group, this indicator is not considered material		×	
GRI 303	**Water**				
303-1	Water withdrawal by source	Eco-efficiency	Global	✓ (3)(4)	Climate change, Eco-efficiency (external)
303-2	Water sources significantly affected by withdrawal of water	Given the activities of BBVA Group, this indicator is not considered material		×	
303-3	Water recycled and reused	Given the activities of BBVA Group, this indicator is not considered material		×	
GRI 304	**Biodiversity**				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity		×	
304-2	Significant impacts of activities, products, and services on biodiversity	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity		×	
304-3	Habitats protected or restored	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity		×	
304-4E	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity		×	
GRI 305	**Emissions**				
305-1	Direct (Scope 1) GHG emissions	Eco-efficiency	Global	✓(3)	Climate change, Eco-efficiency (external)
305-2	Energy indirect (Scope 2) GHG emissions	Eco-efficiency	Global	✓(3)	Climate change, Eco-efficiency (external)
305-3	Other indirect (Scope 3) GHG emissions	Eco-efficiency	Global	✓(3)(5)	Climate change, Eco-efficiency (external)
305-4	GHG emissions intensity	Eco-efficiency	Global	✓(3)	Climate change, Eco-efficiency (external)
305-5	Reduction of GHG emissions	Eco-efficiency	Global	✓(3)	Climate change, Eco-efficiency (external)
305-6	Emissions of ozone-depleting substances (ODS)	Given the activities of BBVA Group, this indicator is not considered material		×	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Given the activities of BBVA Group, this indicator is not considered material		×	

Indicator		Chapter	Scope	External verification	Material aspects identified and coverage of the material aspect
GRI 306	**Effluents and Waste**				
306-1	Water discharge by quality and destination	Given the activities of BBVA Group, this indicator is not considered material		×	
306-2	Waste by type and disposal method	Eco-efficiency	Global	✓(3)	Climate change, Eco-efficiency (external)
306-3	Significant spills	Given the activities of BBVA Group, this indicator is not considered material		×	
306-4	Transport of hazardous waste	Given the activities of BBVA Group, this indicator is not considered material		×	
306-5	Water bodies affected by water discharges and/or runoff	Given the activities of BBVA Group, this indicator is not considered material		×	
GRI 307	**Environmental Compliance**				
307-1	Non-compliance with environmental laws and regulations	BBVA Group has no fines or penalties for non-compliance with regulations related to significant environmental aspects	Global	✓	Ethical conduct (external) Human rights, employee rights and employment quality (external)
GRI 308	**Supplier Environmental Assessment**				
308-1	New suppliers that were screened using environmental criteria	BBVA has not screened suppliers using environmental criteria given that the perceived impact on the Group is not significant		×	
308-2	Negative environmental impacts in the supply chain and actions taken	BBVA has not analyzed the impacts in this aspect because the level of risks for the Group is not significant given the nature of its suppliers		×	

Social Dimension

Labor practices and decent work

GRI 401	**Employment**				
401-1	New employee hires and employee turnover	People management	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not available The proportion of temporary employees in BBVA is not significant (5.4%)		×	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
401-3	Parental leave	Not reported. There is no homogeneous criterion of this indicator at the Group level		×	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
GRI 402	**Labor/Management Relations**				
402-1	Minimum notice periods regarding operational changes	There is no established minimum notice period. In any event, the organizational changes in BBVA Group are analyzed on a case-by-case basis, so the negative impact on employees can be avoided or mitigated, and always within the legal provisions of each country	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)

Indicator		Chapter	Scope	External verification	Material aspects identified and coverage of the material aspect
GRI 403	**Occupational Health and Safety**				
403-1	Workers representation in formal joint management–worker health and safety committees	100% of the workers are represented by a State Health and Safety Committee that channels and assumes the consultation and the participation of workers in all matters related to the prevention of occupational hazards in the company. It is composed of eleven prevention delegates and 11 members of the business representation. Likewise, there are Health and Safety Committees in the large centers and in the territorial ones	Spain	✓	Human rights, employee rights and employment quality (internal)
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	People management	Global	✓	Human rights, employee rights and employment quality (internal)
403-3	Workers with high incidence or high risk of diseases related to their occupation	Given the nature of BBVA's activity, no high risk of serious diseases related to the workers' occupation has been identified		✗	
403-4	Health and safety topics covered in formal agreements with trade unions	Confidential information		✗	Human rights, employee rights and employment quality (internal)
GRI 404	**Training and Education**				
404-1	Average hours of training per year per employee	People management	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal)
404-2	Programs for upgrading employee skills and transition assistance programs	People management	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal)
404-3	Percentage of employees receiving regular performance and career development reviews	People management	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
GRI 405	**Diversity and Equal Opportunity**				
405-1	Diversity of governance bodies and employees	People management Anual Corporate Governance Repport (Section C)	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
405-2	Ratio of basic salary and remuneration of women to men	Remuneration		✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
Human Rights					
GRI 406	**No discriminación**				
406-1	Incidents of discrimination and corrective actions taken	Responsible practices	Global	✓(9)	Ethical conduct (mixed) Human rights, employee rights and employment quality (mixed)
GRI 407	**Freedom of Association and Collective Bargaining**				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	BBVA has not identified any operations or suppliers as having significant risk related to freedom of association and collective bargaining	Spain	✓	Responsible procurement (mixed) Human rights, employee rights and employment quality (mixed)
GRI 408	**Child Labor**				
408-1	Operations and suppliers at significant risk for incidents of child labor	BBVA has not identified any operations or suppliers as having significant risk for incidents of child labor	Spain	✓	Responsible procurement (mixed) Human rights, employee rights and employment quality (mixed)

Indicator		Chapter	Scope	External verification	Material aspects identified and coverage of the material aspect
GRI 409	**Forced or Compulsory Labor**				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	BBVA has not identified any operations or suppliers as having significant risk for incidents of forced or compulsory labor	Spain	✓	Responsible procurement (mixed) Human rights, employee rights and employment quality (mixed)
GRI 410	**Security Practices**				
410-1	Security personnel trained in human rights policies or procedures	Not reported. The security personnel belong to external companies. Although these companies are committed to assume BBVA's human rights standards, there is no specific commitment on training in this area.		×	Human rights, employee rights and employment quality (mixed)
GRI 411	**Rights of Indigenous Peoples**				
411-1	Incidents of violations involving rights of indigenous peoples	Commitment to human rights	Global	✓	Ethical conduct (mixed) Human rights, employee rights and employment quality (mixed)
GRI 412	**Human Rights Assessment**				
412-1	Operations that have been subject to human rights reviews or impact assessments	BBVA has not identified any significant impacts with respect to human rights in its workplaces	Global	✓	Human rights, employee rights and employment quality (mixed)
412-2	Employee training on human rights policies or procedures	Responsible practices	Global	✓(7)	Ethical conduct (mixed) Human rights, employee rights and employment quality (mixed)
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Ethical behavior Environmental, social Suppliers	Global	✓(6)	Financiación social y medioambientalmente responsable (mixta) Human rights, employee rights and employment quality (mixed)
103-2.	The management approach and its components	Ethical behavior	Global	✓	Ethical conduct (mixed) Human rights, employee rights and employment quality (mixed)
GRI 414	**Supplier Social Assessment**				
414-1	New suppliers that were screened using social criteria	BBVA has not screened suppliers using human rights criteria given that the perceived impact on the Group is not significant except in aspects of legal compliance		×	
414-2	Negative social impacts in the supply chain and actions taken	BBVA has not screened suppliers using human rights criteria given that the perceived impact on the Group is not significant except in aspects of legal compliance		×	
Society					
GRI 413	**Local Communities**				
413-1	Operations with local community engagement, impact assessments, and development programs	Financial education Knowledge, education and culture	Global	✓	Contribution to the development of local societies (external) Social action (external)
413-2	Operations with significant actual and potential negative impacts on local communities	Responsible practices Customer relationship	Global	✓(9)	Contribution to the development of local societies (external) Human rights, employee rights and employment quality (mixed)
FS13	Access points in low-populated or economically disadvantaged areas by type.	Sustainable finance Knowledge, education and culture	Global	✓	Customer service quality (external) Quality and fair products that respond to customer needs (external) Contribution to the development of local societies (external) Financial inclusion (external)
FS14	Initiatives to improve access to financial services for disadvantaged people.	Sustainable finance Knowledge, education and culture	Global	✓	Quality and fair products that respond to customer needs (external) Contribution to the development of local societies (external) Financial inclusion (external)

Indicator		Chapter	Scope	External verification	Material aspects identified and coverage of the material aspect
GRI 415	**Public Policy**				
415-1	Total value of political contributions by country and recipient/beneficiary	BBVA's corporate policy	Global	✓	Good corporate governance (mixed)
GRI 419	**Regylatory compliance**				
419-1	Incumplimiento de las leyes y normativas en los ámbitos social y económico	Compliance System The obligations arising from administrative and judicial proceedings are registered in the Annual Accounts (more information in Note 24)	Global	✓	Good corporate governance (mixed) Ethical conduct (mixed)
Product responsibility					
GRI 416	**Customer Health and Safety**				
416-1	Assessment of the health and safety impacts of product and service categories	Operational risk management and customer protection	Global	✓(9)	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Ethical behavior Customer relationship	Global	✓(8)	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
GRI 417	**Marketing and Labeling**				
417-1	Requirements for product and service information and labeling	TCR comunication	Global	✓	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
417-2	Incidents of non-compliance concerning product and service information and labeling	Compliance System Complaints and claims The obligations arising from administrative and judicial proceedings are registered in the Annual Accounts (more information in Note 24)		✓	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
417-3	Incidents of non-compliance concerning marketing communications	The obligations arising from administrative and judicial proceedings are registered in the Annual Accounts (more information in Note 24) TCR comunication	Global	✓(8)(10)	Customer service quality (external) Commercialization practices (external) Ethical conduct (external) Security, privacy and customer protection (external)
FS15	Policies for the fair design and sale of financial products and services.	"Ethical behavior TCR comunication"	Global	✓	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
FS16	Initiatives to enhance financial literacy by type of beneficiary	Financial education	Global	✓	Financial Education (external) Customer service quality (external) Commercialization practices (external)
GRI 418	**Customer privacy**				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer protection	Global	✓(11)	Customer service quality (external) Commercialization practices (external) Ethical conduct (external) Security, privacy and customer protection (external)

Indicator		Chapter	Scope	External verification	Material aspects identified and coverage of the material aspect
Product portfolio					
FS1	Policies with specific environmental and social components applied to business lines	Sustainable finance Environmental, social Responsible procurement	Global	✓	Quality and fair products that respond to customer needs (external) Commercialization practices (external) Ethical conduct (external) Eco-efficiency, environment, climate change (external)
FS2	Procedures for assessing and screening environmental and social risks in business lines	Environmental, social	Global	✓	Quality and fair products that respond to customer needs (external) Commercialization practices (external) Ethical conduct (external) Eco-efficiency, environment, climate change (external)
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Environmental, social	Global	✓	Quality and fair products that respond to customer needs (external) Commercialization practices (external) Ethical conduct (external) Eco-efficiency, environment, climate change (external)
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Environmental, social People management	Global	✓	Quality and fair products that respond to customer needs (external) Commercialization practices (external) Ethical conduct (external) Eco-efficiency, environment, climate change (external)
FS5	Interactions with clients/investors/ business partners regarding environmental and social risks and opportunities	Materiality Sustainable finance Environmental, social	Global	✓	Social and environmentally responsible finance (external)
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/large) and by sector	Sustainable finance Cuentas Anuales (Nota 7.3)	Global	✓	Contribution to the development of local societies (external)
FS7	Monetary value of products and service designed to deliver a specific social benefit for each business line broken down by purpose	Sustainable finance	Global	✓	Contribution to the development of local societies (external)
FS8	Monetary value of products and service designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainable finance	Global	✓	Contribution to the development of local societies (external) Eco-efficiency, environment, climate change
Audit					
FS9	Coverage and frequency of audits to assess the implementation of environmental and social policies and risk assessment procedures	Internal control model Environmental, social	Global	✓(9)	Good corporate governance (internal) Solvency and financial management (Internal) Human rights, employee rights and employment quality (internal)

Indicator		Chapter	Scope	External verification	Material aspects identified and coverage of the material aspect
Active ownership					
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Sustainable finance	Global	✓(9)	Social and environmentally responsible finance (external)
FS11	Percentage of assets subject to positive and negative environmental or social screening	Environmental, social	Global	✓(9)	Social and environmentally responsible finance (external)
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	Sustainable finance	Global	✓	Social and environmentally responsible finance (external)

✓ Content revised according to the scope described and through procedures indicated in the Independent Review Report of the BBVA in 2018 report.

(1) Percentage not reported.

(2) No breakdown by geographical area.

(3) The limitations on the scope of the indicator, the perimeter and the criteria followed in the estimates are detailed in the table referenced. The intensity intensity indicators from the global ecoeficiency plan been calculated according to the number of occupants of the buildings, understanding as such the sum of the average workforce and the estimation of the third parties that work in the Bank's facilities.

(4) The consumption of the branches network has been estimated from a limited sample of offices.

(5) In relation to business trips, only the emissions derived from the plane trips of Group employees are reported.

(6) It is only reported on operations analyzed in relation to compliance with the Equator Principles.

(7) The information regards employees trained in the code of conduct.

(8) Number of indicents or issues are not informed.

(13) Qualitative information.

(9) The information regards BBVA product communication policy.

(10) The information regards Audits on the security measures in the processing of personal data implemented in the BBVA Group companies.

Independent assurance report

KPMG Auditores, S.L.

Pº de la Castellana, 259 C
28046 Madrid

Independent Limited Assurance Report on "BBVA in 2018" of Banco Bilbao Vizcaya Argentaria, S.A. and its subsidiaries

Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

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

We have been engaged by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the Bank) to provide limited assurance review on the indicators identified with the symbol " ✔ " in the GRI indicators section included in the Annual Report "BBVA in 2018" for the year ended 31 December 2018 of the Bank and its subsidiaries (hereinafter "the Report").

The Bank´s Management responsibilities

The Bank´s management is responsible for the preparation and presentation of the Report in accordance with the *Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards)*, in its comprehensive option and the Financial Sector Disclosures of the Global Reporting Initiative, as described in point 102-54 of the GRI content Index of the Report.

Management is also responsible for the information and assertions contained within the report; for determining the Banks's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include the establishment of appropriate controls that Bank´s management consider necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

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 Internal Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and, in conformity with this Standard, maintain a comprehensive system of quality control including documented policies and procedures regarding the compliance with ethical principles, professional standards and applicable legal and regulatory requirements.

KPMG

2

Our responsibility

Our responsibility is to carry out a limited assurance review and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000 (reviewed), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and the Standard ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standard Board (IAASB); and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatements.

Procedures performed

Our limited assurance engagement has been carried out by means of enquiries of management and persons responsible for the preparation of information presented in the Report, and the application of analytical and other evidence gathering procedures. These procedures included:

- Verification of the Bank's processes for determining the material issues, and the stakeholder participation therein.
- Verification, through interviews with management and relevant staff at group level and selected business unit level, of the presence of sustainability strategy and policies and corporate responsibility to attend to material issues, and the implementation of these across the business of the Bank.
- Assessment of the consistency of the description of the application of the Banks's policies and strategy on sustainability, governance, ethics and integrity.
- Risk analysis, including searching the media to identify material issues during the year covered by the Report.
- Review of consistency of information comparing the Universal Standards with internal systems and documentation.
- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling, including the information related to the Group in Spain, Argentina, Colombia, Mexico, Peru, USA and Turkey.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Bank.
- Comparison between the financial information presented in the Report and those included in the consolidated Annual Accounts of the Bank and its subsidiaries for the year 2018, audited by independent third parties.

Our multidisciplinary team included specialists in dialogue with stakeholders, and social, environmental and economic business performance.

3

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less wide than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Assurance Report.

We believe that the evidences we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidences obtained, nothing has come to our attention that causes us to believe that the indicators identified with the symbol "✔" in the GRI indicators section included in the Annual Report "BBVA in 2018" for the year ended 31 December 2018, have not been prepared, in all material respects, in accordance with the Sustainability Reporting Standards of Global Reporting Initiative (GRI Standards) in its comprehensive option and the Financial Sector Disclosures, as described in point 102-54 of the GRI content Index of the Report, including the reliability of data, adequacy of the reported information and the absence of significant deviations and omissions.

Use and distribution

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for the Bank in relation to its "BBVA in 2018" report and for no other purpose or in any other context.

Under separate cover, we will provide the Bank management with an internal report outlining our complete findings and areas for improvement.

KPMG Asesores, S.L.

(Signed)

Ramón Pueyo Viñuales

14 March 2019