BBVA

Creating Opportunities

Financial Statements, Management Report and Auditors' Report

BBVA 2019

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

Independent Auditor's Report on the Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank"), which comprise the balance sheet at 31 December 2019, and the income statement, statement of recognized income and expense, statement of total changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Bank at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 1.2 to the accompanying financial statements) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

We are independent of the Bank in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the financial statements in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to other debtors
See notes 5.1 and 12.1 to the financial statements

Key audit matter	*How the matter was addressed in our audit*
The Bank's loans and advances to other debtors portfolio presents a net balance of Euros 195,819 million at 31 December 2019, and the impairment provisions recognized at that date amount to Euros 5,290 million. For the purposes of estimating impairment, financial assets measured at amortized cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3), or whether neither of these circumstances arises (Stage 1). For the Bank, establishing this classification is a relevant process as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Bank estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Individual provisions consider estimates of future business performance and the market value of collateral provided for credit transactions.	Our audit approach in relation to the Bank's estimate of the impairment of loans and advances to other debtors due to credit risk included assessing the relevant controls linked to the process of estimating impairment and performing different tests of detail on that estimate, to which end we brought in our credit risk specialists. Our procedures related to the control environment focused on the following key areas: • Identifying the credit risk management framework and assessing the consistency of the Bank's accounting policies with the applicable regulations. • Assessing whether the loans and advances to other debtors portfolio has been appropriately classified on the basis of credit risk, in accordance with the criteria defined by the Bank, particularly the criteria for identifying and classifying refinancing and restructuring transactions. • Testing the relevant controls relating to the information available for the monitoring of outstanding loans. • Evaluating the design and implementation of the relevant controls over the management and valuation of collateral.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Impairment of loans and advances to other debtors
See notes 5.1 and 12.1 to the financial statements

Key audit matter	*How the matter was addressed in our audit*
In the case of collective provisions, expected credit losses are estimated by means of internal models that use large databases, different macroeconomic scenarios, provision estimation parameters, segmentation criteria and automated processes. Such models are complex in their design and implementation and require past, present and future information be considered. The Bank periodically recalibrates and performs contrast tests on its internal models with a view to improving their predictive power on the basis of actual past experience. The consideration of this matter as a key audit matter is based both on the significance for the Bank of the loans and advances to other debtors portfolio, and thus of any related provision recognized, and on the relevance and complexity of the process for classifying financial assets for the purpose of estimating impairment thereon and calculating this impairment.	• Evaluating whether the internal models for estimating both individual and collective provisions for expected losses are functioning correctly. • Assessing whether the aspects observed by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective provisions have been taken into consideration. • Assessing the integrity, accuracy and recency of the data used and of the data control and management process in place. Our tests of detail on the estimate of expected losses included the following: • With regard to the impairment of individually significant transactions, we assessed the suitability of the cash flow discounting models used by the Bank. We also selected a sample from the credit-impaired significant risk population and evaluated the appropriateness of the provision recognized. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Bank, assessed the integrity and accuracy of the input data for the process, and assessed whether the calculation engine is functioning correctly by running the calculation process again for a sample of contracts, considering the segmentation and assumptions used by the Bank. Lastly, we analyzed whether the information disclosed in the notes to the financial statements is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Bank.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Classification and measurement of financial instruments at fair value

See notes 6.1 and 8 to the financial statements

Key audit matter	*How the matter was addressed in our audit*
The classification and initial measurement of financial instruments (essentially financial assets and derivatives) may require a high level of judgement and complex estimates, and determines the criteria to be applied in their subsequent measurement. At 31 December 2019 the Bank has financial assets and financial liabilities held for trading amounting to Euros 84,842 million and Euros 74,364 million, respectively, of which Euros 65,543 million and Euros 62,313 million, respectively, have been measured using valuation techniques as no quoted price in an active market is available (therefore classified as level 2 or 3 for measurement purposes). In the absence of a quoted price in an active market, determining the fair value of financial instruments requires a complex estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex and highly subjective pricing models. We have therefore considered the estimate of the fair value of these financial assets and financial liabilities using these measurement methods to be a key audit matter.	In relation to the classification and measurement of financial instruments at fair value, we performed control tests and tests of detail on the Bank's decisions and estimates, with the involvement of our own specialists in this area. Our procedures relating to the assessment of the relevant controls linked to the processes for classifying and measuring financial instruments were focused on identifying the risk management framework and controls related with operations in the financial markets where the Bank is present, evaluating the application of the Bank's policies and procedures for the recognition and classification of instruments based on existing business models and their contractual characteristics, and examining the key controls associated with the process of measuring financial instruments and with the analysis of the integrity, accuracy and recency of the data used and of the control and management process in place for the existing databases. With regard to the tests of detail performed, we selected a sample of the financial instruments measured at fair value and assessed the appropriateness of their classification, the adequacy of the measurement criterion used and the reasonableness of the measurement thereof. To this end, we also assessed the reasonableness of the most significant pricing models used by the Bank. Lastly, we analyzed whether the information disclosed in the notes to the financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Bank.

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Impairment of the investments in Garanti BBVA and BBVA USA
See notes 14.1 and 43 to the financial statements

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2019 the Bank has recognized impairment in relation to its investments in the subsidiaries Garanti BBVA, A.S. and BBVA USA Bancshares, Inc., in an amount of Euros 543 million and Euros 279 million, respectively. The recoverable amount of investments in subsidiaries is determined, when there is objective evidence of impairment, by applying valuation techniques that require the use of highly subjective assumptions and estimates. Due to the relevance of the impairment recognized by the Bank at 31 December 2019 in relation to these investments, and the subjective nature of the assumptions and valuation techniques used in the estimate thereof, this has been considered a key audit matter of the current period.	Our audit procedures, for which we brought in our valuation specialists, included assessing the design and implementation of the key controls related to the valuation of the Bank's investments in subsidiaries, as well as assessing the existence of the evidence of impairment identified by the Bank and evaluating the reasonableness of the methodology and assumptions used to estimate the recoverable amount of its investments in the subsidiaries Garanti BBVA, A.S. and BBVA USA Bancshares, Inc., which were reviewed by independent experts hired by the Bank. We also analyzed whether the information disclosed in the notes to the financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Bank.

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Risks associated with information technology

Key audit matter	*How the matter was addressed in our audit*
The Bank has a complex technological operating environment that is constantly changing and must reliably and efficiently satisfy business requirements and ensure that financial information is processed correctly. In this respect, correctly assessing the adequacy of the maintenance of the applications and IT systems used to prepare the financial information, of the operation of these systems and applications, and of physical and logical information security is a key aspect. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in preparing the financial information, encompassing the following: • Understanding of the information flows and identification of the key controls that ensure the processing of the information. • Testing of the key automated processes involved in generating the financial information. • Analysis of the relevant data and systems migrations occurring in the period. • Testing of application and systems controls related with access to and processing of the information and with the security settings of those applications and systems. • Testing of controls over operations, maintenance and development of applications and systems. • Substantive audit testing to conclude the tests on the Bank's internal control.

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Other Information: Management Report

Other information solely comprises the 2019 management report, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the financial statements.

Our audit opinion on the financial statements does not encompass the management report. Our responsibility as regards the information contained in the management report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the non-financial information statement and to certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the management report, or where applicable, that the management report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the management report, which consists of assessing and reporting on the consistency of this information with the financial statements, based on knowledge of the Bank obtained during the audit of the aforementioned financial statements and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, we have verified that the information mentioned in section a) above has been provided in the management report, that the rest of the information contained in the management report is consistent with that disclosed in the financial statements for 2019, and that the content and presentation of the report are in accordance with applicable legislation.

The Bank's Directors' and Audit Committee's Responsibility for the Financial Statements

The Bank's Directors are responsible for the preparation of the accompanying financial statements in such a way that they give a true and fair view of the equity, financial position and financial performance of the Bank in accordance with the financial reporting framework applicable to the Bank in Spain, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Bank's Audit Committee is responsible for overseeing the preparation and presentation of the financial statements.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

From the matters communicated to the Bank's Audit Committee, we determine those that were of most significance in the audit of the financial statements for the year ended 31 December 2019 and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Bank's Audit Committee

The opinion expressed in this report is consistent with our additional report to the Bank's Audit Committee dated 7 February 2020.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting held on 17 March 2017 for a period of three years, from the year commenced 1 January 2017.

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

(Signed on original in Spanish)

Luis Martín Riaño
On the Spanish Official Register of Auditors ("ROAC") with No. 18,537

11 February 2020

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MANAGEMENT REPORT

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets for the years ended December 31, 2019 and 2018

ASSETS (Millions of Euros)

	Notes	2019	2018 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**7**	**18,419**	**30,922**
FINANCIAL ASSETS HELD FOR TRADING	**8**	**84,842**	**75,210**
Derivatives		32,988	30,217
Equity instruments		8,205	4,850
Debt securities		10,213	11,453
Loans and advances to central banks		484	2,073
Loans and advances to credit institutions		20,688	14,588
Loans and advances to customers		12,263	12,029
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**9**	**855**	**1,726**
Equity instruments		125	200
Debt securities		128	150
Loans and advances to central banks		-	-
Loans and advances to credit institutions		-	-
Loans and advances to customers		602	1,376
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**10**	**-**	**-**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**11**	**24,905**	**19,273**
Equity instruments		1,749	2,020
Debt securities		23,156	17,253
FINANCIAL ASSETS AT AMORTIZED COST	**12**	**225,369**	**219,127**
Debt securities		21,496	19,842
Loans and advances to central banks		5	5
Loans and advances to credit institutions		8,049	5,271
Loans and advances to customers		195,819	194,009
DERIVATIVES - HEDGE ACCOUNTING	**13**	**953**	**1,090**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**13**	**28**	**(21)**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**14**	**30,563**	**30,734**
Subsidiaries		29,445	29,634
Joint ventures		54	58
Associates		1,065	1,042
TANGIBLE ASSETS	**15**	**4,467**	**1,739**
Properties, plant and equipment		4,384	1,737
For own use		4,384	1,737
Other assets leased out under an operating lease		-	-
Investment properties		83	2
INTANGIBLE ASSETS	**16**	**905**	**898**
Goodwill		-	-
Other intangible assets		905	898
TAX ASSETS	**17**	**13,760**	**13,990**
Current tax assets		1,443	1,410
Deferred tax assets		12,317	12,580
OTHER ASSETS	**18**	**2,600**	**4,187**
Insurance contracts linked to pensions	22	2,096	2,032
Inventories		-	-
Other		504	2,155
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**19**	**967**	**1,065**
TOTAL ASSETS		**408,634**	**399,940**

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

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets for the years ended December 31, 2019 and 2018

LIABILITIES AND EQUITY (Millions of Euros)	Notes	2019	2018 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**8**	**74,364**	**68,242**
Derivatives		32,503	29,748
Short positions		9,956	9,235
Deposits from central banks		1,867	5,149
Deposits from credit institutions		24,425	15,642
Customer deposits		5,612	8,468
Debt certificates		-	-
Other financial liabilities		-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**10**	**2,968**	**1,746**
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Customer deposits		2,968	1,746
Debt certificates		-	-
Other financial liabilities		-	-
Memorandum item: Subordinated liabilities		*-*	*-*
FINANCIAL LIABILITIES AT AMORTIZED COST	**20**	**285,260**	**283,157**
Deposits from central banks		24,390	26,605
Deposits from credit institutions		18,201	20,539
Customer deposits		191,461	192,419
Debt certificates		40,845	35,769
Other financial liabilities		10,362	7,825
Memorandum item: Subordinated liabilities		*10,362*	*10,588*
DERIVATIVES - HEDGE ACCOUNTING	**13**	**1,471**	**1,068**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**13**	**-**	**-**
PROVISIONS	**21**	**4,616**	**5,125**
Pensions and other post-employment defined benefit obligations		3,810	4,043
Other long term employee benefits		25	29
Provisions for taxes and other legal contingencies		359	348
Commitments and guarantees given		235	238
Other provisions		188	467
TAX LIABILITIES	**17**	**1,120**	**1,197**
Current tax liabilities		149	126
Deferred tax liabilities		972	1,071
OTHER LIABILITIES	**18**	**1,645**	**1,996**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES		**371,445**	**362,531**

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

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets for the years ended December 31, 2019 and 2018

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	Notes	2019	2018 (*)
SHAREHOLDERS' FUNDS		**37,570**	**37,417**
Capital	**23**	**3,267**	**3,267**
Paid up capital		3,267	3,267
Unpaid capital which has been called up		-	-
Share premium	**24**	**23,992**	**23,992**
Equity instruments issued other than capital		**-**	**-**
Equity component of compound financial instruments		-	-
Other equity instruments issued		-	-
Other equity		**48**	**46**
Retained earnings	**25**	**9,107**	**8,829**
Revaluation reserves	**25**	**-**	**-**
Other reserves	**25**	**1**	**(30)**
Less: treasury shares	**26**	**-**	**(23)**
Profit or loss attributable to owners of the parent		**2,241**	**2,450**
Less: interim dividends		**(1,086)**	**(1,114)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**27**	**(381)**	**(8)**
Items that will not be reclassified to profit or loss		**(520)**	**(152)**
Actuarial gains (losses) on defined benefit pension plans		(75)	(78)
Non-current assets and disposal groups classified as held for sale		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(469)	(190)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		24	116
Items that may be reclassified to profit or loss		**138**	**144**
Hedge of net investments in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges (effective portion)		(196)	(116)
Fair value changes of debt instruments measured at fair value through other comprehensive income		335	260
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
TOTAL EQUITY		**37,189**	**37,409**
TOTAL EQUITY AND TOTAL LIABILITIES		**408,634**	**399,940**

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of Euros)	Notes	2019	2018(*)
Loan commitments given	29	73,582	69,513
Financial guarantees given	29	9,086	9,197
Other commitments given	29	28,151	27,202

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

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Income statements for the years ended December 31, 2019 and 2018.

INCOME STATEMENTS (Millions of Euros)

	Notes	2019	2018(*)
Interest income	33	5,011	4,877
Financial assets at fair value through other comprehensive income		285	394
Financial assets at amortized cost		4,373	4,293
Other interest income		353	190
Interest expense	33	(1,548)	(1,386)
NET INTEREST INCOME		**3,464**	**3,491**
Dividend income	34	3,304	3,115
Fee and commission income	35	2,144	2,083
Fee and commission expense	36	(447)	(407)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	107	109
Financial assets at amortized cost		35	3
Other financial assets and liabilities		72	106
Gains (losses) on financial assets and liabilities held for trading, net	37	375	364
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortized cost		-	-
Other profit or loss		375	364
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	37	35	78
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortized cost		-	-
Other profit or loss		35	78
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	37	(101)	(41)
Gains (losses) from hedge accounting, net	37	21	46
Exchange differences, net	37	(133)	(60)
Other operating income	38	125	108
Other operating expense	38	(487)	(474)
GROSS INCOME		**8,406**	**8,412**
Administrative expense	39	(3,881)	(4,077)
Personnel expense		(2,394)	(2,328)
Other administrative expense		(1,487)	(1,749)
Depreciation and amortization	40	(673)	(452)
Provisions or reversal of provisions	41	(391)	(566)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	42	(254)	(267)
Financial assets measured at amortized cost		(254)	(278)
Financial assets at fair value through other comprehensive income		1	11
NET OPERATING INCOME		**3,208**	**3,050**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	43	(889)	(1,537)
Impairment or reversal of impairment on non-financial assets	43	(78)	(27)
Tangible assets		(80)	(23)
Intangible assets		-	-
Other assets		2	(4)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	44	(1)	(16)
Negative goodwill recognized in profit or loss		-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	45	(31)	1,004
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**2,208**	**2,474**
Tax expense or income related to profit or loss from continuing operations	17	33	(24)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**2,241**	**2,450**
Profit (loss) after tax from discontinued operations		-	-
PROFIT FOR THE YEAR		**2,241**	**2,450**

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

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of recognized income and expenses for the years ended December 31, 2019 and 2018.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	2019	2018 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**2,241**	**2,450**
OTHER RECOGNIZED INCOME (EXPENSE)	**(373)**	**(383)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(367)**	**(125)**
Actuarial gains (losses) from defined benefit pension plans	3	(48)
Non-current assets and disposal groups classified as held for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(271)	(199)
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(133)	166
Other valuation adjustments	-	-
Income tax related to items not subject to reclassification to income statement	34	(45)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(6)**	**(257)**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	**-**	**-**
Translation gains (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	**(115)**	**29**
Valuation gains (losses) taken to equity	(115)	29
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments (non-designated elements)	-	-
Valuation gains (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt securities at fair value through other comprehensive income	**107**	**(396)**
Valuation gains (losses) taken to equity	173	(292)
Transferred to profit or loss	(66)	(104)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	**-**	**-**
Income tax relating to items subject to reclassification to income statements	**2**	**110**
TOTAL RECOGNIZED INCOME/EXPENSE	1,868	2,067

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

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2019 and 2018.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2019	Capital (Note 23)	Share Premium (Note 24)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares (Note 26)	Profit or loss attributable to owners of the parent	Interim dividends (Note 3)	Accumulated other comprehensive income (Note 27)	Total
Balances as of January 1, 2019	3,267	23,992	-	46	8,829	-	(30)	(23)	2,450	(1,114)	(8)	37,409
Effect of changes in accounting policies (See Note 1.3)	-	-	-	-	-	-	1	-	-	-	-	1
Adjusted initial balance	3,267	23,992	-	46	8,829	-	(29)	(23)	2,450	(1,114)	(8)	37,410
Total income/expense recognized	-	-	-	-	-	-	-	-	2,241	-	(373)	1,868
Other changes in equity	-	-	-	1	278	-	29	23	(2,450)	28	-	(2,089)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,067)	-	-	-	-	(1,086)	-	(2,153)
Purchase of treasury shares	-	-	-	-	-	-	-	(933)	-	-	-	(933)
Sale or cancellation of treasury shares	-	-	-	-	-	-	36	956	-	-	-	993
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	(1)	1,345	-	(8)	-	(2,450)	1,114	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	2	-	-	1	-	-	-	-	3
Balances as of December 31, 2019	3,267	23,992	-	48	9,107	-	1	-	2,241	(1,086)	(381)	37,189

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

BBVA

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2019 and 2018 (continued)

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2018 (*)	Capital (Note 23)	Share Premium (Note 24)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares (Note 26)	Profit or loss attributable to owners of the parent	Interim dividends (Note 3)	Accumulated other comprehensive income (Note 27)	Total
Balances as of January 1, 2018	**3,267**	**23,992**	**47**	**-**	**-**	**12**	**9,445**	**-**	**2,083**	**(1,045)**	**409**	**38,211**
Effect of changes in accounting policies	-	-	(47)	47	8,766	(12)	(9,421)	-	129	(129)	(35)	(702)
Adjusted initial balance	**3,267**	**23,992**	**-**	**47**	**8,766**	**-**	**24**	**-**	**2,212**	**(1,174)**	**374**	**37,509**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,450**	**-**	**(382)**	**2,067**
Other changes in equity	**-**	**-**	**-**	**(1)**	**63**	**-**	**(54)**	**(23)**	**(2,212)**	**60**	**-**	**(2,167)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,000)	-	-	-	-	(1,114)	-	(2,114)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,288)	-	-	-	(1,288)
Sale or cancellation of treasury shares	-	-	-	-	-	-	(5)	1,265	-	-	-	1,260
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	(1)	1,063	-	(25)	-	(2,212)	1,174	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	(23)	-	-	-	-	(23)
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-	(1)	-	-	-	-	(1)
Balances as of December 31, 2018	**3,267**	**23,992**	**-**	**46**	**8,829**	**-**	**(30)**	**(23)**	**2,450**	**(1,114)**	**(8)**	**37,409**

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

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2019 and 2018.

CASH FLOWS STATEMENTS (Millions of Euros)	2019	2018 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4+5)	**(9,761)**	**17,079**
1.Profit for the year	**2,241**	**2,450**
2.Adjustments to obtain the cash flow from operating activities:	**1,755**	**1,227**
Depreciation and amortization	673	452
Other adjustments	1,082	775
3.Net increase/decrease in operating assets	**(19,440)**	**10,926**
Financial assets held for trading	(9,632)	2,178
Non-trading financial assets mandatorily at fair value through profit or loss	871	3,087
Other financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(5,632)	3,409
Financial assets at amortized cost	(6,242)	3,081
Other operating assets	1,195	(829)
4.Net increase/decrease in operating liabilities	**5,716**	**2,451**
Financial liabilities held for trading	6,122	(2,718)
Other financial liabilities designated at fair value through profit or loss	1,222	754
Financial liabilities at amortized cost	(968)	5,735
Other operating liabilities	(660)	(1,320)
5.Collection/Payments for income tax	**(33)**	**24**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	**(373)**	**(2,049)**
1.Investment	**(904)**	**(7,081)**
Tangible assets	(119)	(372)
Intangible assets	(317)	(314)
Investments in subsidiaries, joint ventures and associates	(196)	(6,083)
Other business units	-	-
Non-current assets classified as held for sale and associated liabilities	(272)	(312)
Other collections related to investing activities	-	-
2.Divestments	**531**	**5,032**
Tangible assets	10	50
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	103	1,678
Other business units	-	-
Non-current assets and disposal groups classified as held for sale and associated liabilities	418	3,304
Other collections related to investing activities	-	-

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

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2019 and 2018 (continued)

CASH FLOWS STATEMENTS (Continued) (Millions of Euros)	2019	2018 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(2,314)**	**(2,468)**
1. Payments	**(6,114)**	**(5,006)**
Dividends	(2,153)	(2,114)
Subordinated liabilities	(3,005)	(1,627)
Treasury stock amortization	-	-
Treasury stock acquisition	(956)	(1,265)
Other items relating to financing activities	-	-
2. Collections	**3,799**	**2,538**
Subordinated liabilities	2,640	1,262
Common stock increase	-	-
Treasury stock disposal	993	1,260
Other items relating to financing activities	167	16
D) EFFECT OF EXCHANGE RATE CHANGES	**(54)**	**(143)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**(12,503)**	**12,418**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**30,922**	**18,503**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**18,419**	**30,922**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)	Notes	2019	2018 (*)
Cash		1,046	975
Balance of cash equivalent in central banks		15,417	27,290
Other financial assets		1,956	2,656
Less: Bank overdraft refundable on demand		-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**7**	**18,419**	**30,922**

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

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2019.

Notes to the Financial Statements for the year ended December 31, 2019.

1. Introduction, basis for presentation of the Financial Statements, Internal Control over Financial Information and other information

1.1. Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter "the Bank" or "BBVA") is a private-law entity subject to the laws and regulations governing banking entities operating in Spain. It carries out its activity through branches and agencies across the country and abroad.

The Bylaws and other public information are available for consultation at the Bank's registered address (Plaza San Nicolás, 4 Bilbao) and on its official website: www.bbva.com.

In addition to the transactions it carries out directly, the Bank heads a group of subsidiaries, jointly controlled and associated entities which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, "the Group" or "the BBVA Group"). In addition to its own individual financial statements, the Bank is therefore obliged to prepare the Group's Financial Statements.

The Bank's Financial Statements for the year ended December 31, 2018 were approved by the shareholders at the Bank's Annual General Meeting ("AGM") held on March 15, 2019.

The Bank's Financial Statements for the year ended December 31, 2019 are pending approval by the Annual General Meeting. Notwithstanding, the Board of Directors of the Bank understands that said financial statements will be approved without any changes.

1.2. Basis for the presentation of the Financial Statements

The Bank's Financial Statements for 2019 are presented in accordance with Bank of Spain Circular 4/2017, dated November 27, and as amended thereafter (in the following, "Circular "4/2017), and with any other legislation governing financial reporting applicable to the Bank. Circular 4/2017 adapted the accounting system of Spanish credit institutions to the changes of the European accounting order derived from the adoption of two International Financial Reporting Standards (IFRS) – IFRS 15 and IFRS 9 – which modified the accounting criteria of ordinary income and of financial instruments, respectively. The publication of Bank of Spain Circular 2/2018, of December 21, updated Circular 4/2017 to adapt it to the latest publications in banking regulation, maintaining full compatibility with the EU-IFRS accounting framework (see Note 1.3).

The Bank's Financial Statements for the year ended December 31, 2019 have been prepared by the Bank's directors (at the Board of Directors meeting held on February 10, 2020) by applying the accounting policies and valuation criteria described in Note 2, so that they present fairly the Bank's equity and financial position as of December 31, 2019, together with the results of its operations and cash flows generated during the year ended on that date.

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

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

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

1.3. Comparative information

The information included in the accompanying financial statements relating to the year ended December 31, 2018, in accordance to the applicable regulation, is presented for the purpose of comparison with the information for December, 31 2019.

As a consequence of the application of Circular 2/2018, the comparative information for the financial year 2018 included in these Financial Statements has been subject to some non-significant modifications in order to improve the comparability with the figures of the financial year 2019.

Leases

As of January 1, 2019, Circular 2/2018 came into force and includes changes in the lessee accounting model (see Note 2.15). This amendment was applied using the modified retrospective method and the previous years have not been restated for comparison purposes as allowed by the standard itself.

Income taxes

In accordance with Regulation EU 2019/412, it is required that the tax impacts of the distribution of dividends should be recorded under "Tax expense or income related to profit or loss from continuing operations" in the income statements for the year. Previously they were recorded under total equity.

In order for the information to be comparable, the information for the year 2018 has been restated recognizing a €134 million profit in the income statement for such year, under "Less: Interim dividends". This has meant an increase of 6% in the "Profit" for the year 2018 with respect to amounts previously presented in the financial statements for the year ended December 31, 2018. This reclassification has had no impact on total equity.

1.4. Seasonal nature of income and expenses

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

1.5. Responsibility for the information and for the estimates made

The information contained in the Bank's Financial Statements is the responsibility of the Bank's Directors.

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

- Loss allowances on certain financial assets (see Notes 5, 6, 10, 11 and 12).
- The assumptions used to quantify certain provisions (see Note 21) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 22).
- The useful life and impairment losses of tangible and intangible assets (see Notes, 15, 16 and 19).
- The fair value of certain unlisted financial assets and liabilities in organized markets (see Notes 5, 6, 8, 9, 10, 11 and 12).
- The recoverability of deferred tax assets (See Note 17).

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

During 2019 there were no significant changes to the assumptions and estimations made as of December 31, 2018, except as indicated in these Financial Statements.

1.6. Control of the BBVA Group's Financial Reporting

The description of the BBVA Group's Internal Control over Financial Reporting model is described in the management report accompanying the Financial Statements for 2019.

1.7. Deposit guarantee fund and Resolution fund

The Bank is part of the "Fondo de Garantía de Depósitos" (Deposit Guarantee Fund). The expense incurred by the contributions made to this Agency and other similar to those that are subject certain foreign branches in 2019 and 2018 amounted to €196 million and €184 million, respectively. These amounts are registered under the heading "Other operating expenses" of the accompanying income statements (see Note 38).

The contributions made to the single European resolution fund in the years 2019 and 2018 have amounted to €144 and €148 million euros respectively. Additionally in 2018 irrevocable payment commitment of €22 million euros was recorded. These contributions are registered under the heading "Other Operating Expenses" in the attached income statements (see Note 38).

1.8. Consolidated Financial Statements

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2019 have been prepared by the Group's Directors (at the Board of Directors meeting held on February 10, 2020) in compliance with IFRS-IASB (International Financial Reporting Standards as issued by the International Accounting Standards Board), as well as in accordance with the International Financial Reporting

Standards adopted by the European Union (in the following "EU-IFRS") and applicable at the close of 2019, taking into account Bank of Spain Circular 4/2017, dated November 27, and with any other legislation governing financial reporting applicable to the Group.

The management of the Group's operations is carried out on a consolidated basis, independently of the individual allocation of the corresponding equity changes and their related results. Consequently, the Bank's annual Financial Statements have to be considered within the context of the Group, due to the fact that they do not reflect the financial and equity changes that result from the application of the consolidation policies (full consolidation or proportionate consolidation methods) or the equity method.

These changes are reflected in the Consolidated Financial Statements of the BBVA Group for the year 2019, which the Bank's Board of Directors has also prepared. Appendix I includes the Group's Consolidated Financial Statements. In accordance with the content of these Consolidated Financial Statements prepared following the International Financial Reporting Standards adopted by the European Union, the total amount of the BBVA Group's assets and consolidated equity at the close of 2019 amounted to €698,690 million and €54,925 million, respectively, while the consolidated net profit attributed to the parent company of this period amounted to €3,512 million.

2. Accounting policies and valuation criteria applied

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

The accounting standards and policies and valuation criteria used in preparing these financial statements are as follows:

2.1. Financial instruments

2.1.1 Classification and measurement of financial assets

Classification of financial assets

Circular 4/2017 contains three main categories for financial assets classification: measured at amortized cost, measured at fair value with changes through other comprehensive income, and measured at fair value through profit or loss.

The classification of financial assets measured at amortized cost or fair value must be carried out on the basis of two tests: the entity's business model and the assessment of the contractual cash flow, commonly known as the "solely payments of principle and interest" criterion (hereinafter, the SPPI).

A debt instrument will be classified in the amortized cost portfolio if the two following conditions are fulfilled:

- The financial asset is managed with a business model whose purpose is to maintain the financial assets to maturity, to receive contractual cash flows; and
- In accordance with the contractual characteristics of the instrument its cash flows only represent the return of the principal and interest, basically understood as consideration for the time value of money and the debtor's credit risk.

A debt instrument will be classified in the portfolio of financial assets at fair value with changes through other comprehensive income if the two following conditions are fulfilled:

- The financial asset is managed with a business model whose purpose combines collection of the contractual cash flows and sale of the assets, and
- The contractual characteristics of the instrument generate cash flows which only represent the return of the principal and interest.

A debt instrument will be classified at fair value with changes in profit and loss provided that the entity's business model for their management or the contractual characteristics of its cash flows do not require classification into one of the portfolios described above.

In general, equity instruments will be measured at fair value through profit or loss. However the Group may make an irrevocable election at initial recognition to present subsequent changes in the fair value through "other comprehensive income".

Financial assets will only be reclassified when BBVA decides to change the business model. In this case, all of the financial assets assigned to this business model will be reclassified. The change of the objective of the business model should occur before the date of the reclassification.

Measurement of financial assets

All financial instruments are initially recognized at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument,

Excluding all trading derivatives not considered as accounting or economic hedges, all the changes in the fair value of the financial instruments arising from the accrual of interest and similar items are recognized under the headings "Interest income" or "Interest expense", as appropriate, in the accompanying income statement in the period in which the change occurred (see Note 33).

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

"Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit and loss" and "Financial assets designated at fair value through profit or loss"

Financial assets are recorded under the heading "Financial assets held for trading" if the objective of the business model is to generate gains by buying and selling these financial instruments or generate short-term results. The financial assets recorded in the heading "Non-trading financial assets mandatorily at fair value through profit and loss" are assigned to a business model which objective is to obtain the contractual cash flows and / or to sell those instruments but its contractual cash flows do not comply with the requirements of the SPPI test. In "Financial assets designated at fair value through profit or loss" the Bank classifies financial assets only if it eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring financial assets or financial liabilities or recognizing gains or losses on them, on different bases.

The assets recognized under these headings of the balance sheets are measured upon acquisition at fair value and changes in the fair value (gains or losses) are recognized as their net value under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying income statements (see Note 37). Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading Gains (losses) on financial assets and liabilities in the accompanying income statements (see Note 37).

"Financial assets at fair value through other comprehensive income"

- Debt instruments

  Assets recognized under this heading in the balance sheets are measured at their fair value. This category of valuation implies the recognition of the information in the income statement as if it were an instrument valued at amortized cost, while the instrument is valued at fair value in the balance sheet. Thus, both the interests of these instruments and the exchange differences and impairment that arise in their case are recorded in the profit and loss account, while subsequent changes in its fair value (gains or losses) are recognized temporarily,(by the amount net of tax effect) under the heading "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of debt instruments measured at fair value through other comprehensive income" in the balance sheets (see Note 27).

  The amounts recognized under the headings "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of financial assets measured at fair value through other comprehensive income" continue to form part of the Bank's equity until the corresponding asset is derecognized from the balance sheet or until a loss allowance is recognized on the corresponding financial instrument. If these assets are sold, these amounts are derecognized and included under the headings "Gains (losses) on financial assets and liabilities, net" (see Note 37).

  The net loss allowances in financial assets at fair value through other comprehensive income over the year are recognized under the heading "Loss allowances on financial assets, net – Financial assets at fair value through other comprehensive income" in the income statements for that period (see Note 42).

  Interests of these instruments are recorded in the profit and loss account (see Note 33) and the changes in foreign exchange rates are recognized under the heading "Exchange differences, net" in the accompanying income statement (see Note 37).

- Equity instruments

  The Bank, at the time of the initial recognition, may elect to present changes in the fair value in other comprehensive income of an investment in an equity instrument that is not held for trading. The election is irrevocable and can be made on an instrument-by-instrument basis. Subsequent changes in fair value (gains or losses) are recognized, under the heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Fair value changes of equity instruments measured at fair value through other comprehensive income".

"Financial assets at amortized cost"

The assets under this category are subsequently measured at amortized cost, using the effective interest rate method.

Net loss allowances of assets recorded under these headings arising in each period are recognized under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – financial assets measured at cost in the income statement for that period " (see Note 42).

2.1.2 Classification and measurement of financial liabilities

Classification of financial liabilities

Under Circular 4/2017, financial liabilities are classified in the following categories:

- Financial liabilities at amortized cost;

- Financial liabilities that are held for trading including derivatives are financial instruments which are recorded in this category when the Group's objective is to generate gains by buying and selling these financial instruments;
- Financial liabilities that are designated at fair value through profit or loss on initial recognition under the Fair Value Option. The Group has the option to designate irrevocably, on the initial moment of recognition, a financial liability as at fair value through profit or loss provided that doing so results in the elimination or significant reduction of measurement or recognition inconsistency, or if a group of financial liabilities, or a group of financial assets and financial liabilities, has to be managed, and its performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy.

Measurement of financial liabilities

All financial instruments are initially recognized at fair value, except in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the instrument.

Excluding all trading derivatives not considered as accounting or economic hedges, all the changes in the fair value of the financial instruments arising from the accrual of interest and similar items are recognized under the headings "Interest income" or "Interest expense", as appropriate, in the accompanying income statement in the period in which the change occurred (see Note 33).

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

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

The subsequent changes in the fair value (gains or losses) of the liabilities recognized under these headings of the balance sheets are recognized as their net value under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying income statements (see Note 37), except for the financial liabilities designated at fair value through profit and loss under the fair value option for which the amount of change in the fair value that is attributable to changes in the own credit risk which is presented under the heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in credit risk". However, changes in fair value resulting from variations in foreign exchange rates are recognized under the heading Gains (losses) on financial assets and liabilities in the accompanying income statements (see Note 37).

"Financial liabilities at amortized cost"

The liabilities under this category are subsequently measured at amortized cost, using the effective interest rate method.

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

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

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

- In fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading "Gains (losses) from hedge accounting, net" in the income statement (see Note 37), with a corresponding offset under the headings where hedging items ("Hedging derivatives") and the hedged items are recognized, as applicable, except for interest-rate risks hedges (which are almost all of the hedges used by the Bank). Therefore, the valuation changes are recognized under the headings "Interest income" or "Interest expense", as appropriate, in the accompanying income statement (see Note 33).
- In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the income statement with a corresponding offset under the heading "Derivatives – Hedging derivatives", and the gains or losses that arise from the change in the fair value of the hedged item (attributable to the hedged risk) are also recognized in the income statement (in both cases under the heading "Gains (losses) from hedge accounting, net" (see Note 37),, using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the balance sheets, as applicable.
- In cash flow hedges, the gain or loss on the hedging instruments are recognized temporarily under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges" in the balance sheets, with a balancing entry under the heading "Hedging derivatives" of the Assets or Liabilities of the balance sheets as applicable. These differences are recognized in the accompanying income statement at the time when the gain or loss in the hedged instrument affects profit or loss, when the forecast transaction is executed or at the maturity date of the hedged item (see Note 33).
- Differences in the measurement of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly in the heading "Gains (losses) from hedge accounting, net" in the income statement (see Note 37).

- In the hedges of net investments in foreign operations, the differences attributable to the effective portions of hedging items are recognized temporarily under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss – Hedging of net investments in foreign transactions" in the balance sheets with a balancing entry under the heading “Hedging derivatives” of the Assets or Liabilities of the balance sheets as applicable. These differences in valuation are recognized under the heading “Exchange differences, net" in the income statement when the investment in a foreign operation is disposed of or derecognized (see Note 37).

2.1.4 Loss allowances on financial assets

Definition of impaired financial assets

The Circular 4/2017 impairment model is applied to financial assets valued at amortized cost and to financial assets valued at fair value with changes in accumulated other comprehensive income, except for investments in equity instruments and contracts for financial guarantees and loan commitments unilaterally revocable by BBVA. Likewise, all the financial instruments valued at fair value with change through profit and loss are excluded from the impairment model.

The standard classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized (Normal risk - Stage 1); the second comprises the financial assets for which a significant increase in credit risk has been identified since its initial recognition (Normal risk under special surveillance - Stage 2) and the third one, the impaired financial assets (Non-performing risk – Stage 3).

The calculation of the provisions for credit risk in each of these three categories must be done differently. In this way, expected loss up to 12 months for the financial assets classified in the first of the aforementioned categories must be recorded, while expected losses estimated for the remaining life of the financial assets classified in the other two categories must be recorded. Thus, Circular 4/2017 differentiates between the following concepts of expected loss:

- Expected loss at 12 months: expected credit loss that arises from possible default events within 12 months following the presentation date of the financial statements; and

- Expected loss during the life of the transaction: this is the expected credit loss that arises from all possible default events over the remaining life of the financial instrument.

All this requires considerable judgment, both in the modeling for the estimation of the expected losses and in the forecasts, on how the economic factors affect such losses, which must be carried out on a weighted probability basis.

The Bank has applied the following definitions in accordance with Circular 4/2017:

- Default

  BBVA has applied a definition of default for financial instruments that is consistent with that used in internal credit risk management, as well as the indicators under applicable regulation. Both qualitative and quantitative indicators have been considered.

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

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

- Credit impaired asset

  An asset is credit-impaired according to Circular 4/2017 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

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

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

- Significant increase in credit risk

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

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

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

- Qualitative criterion: most indicators for detecting significant risk increase are included in the Bank's systems through rating/scoring systems or macroeconomic scenarios, so the quantitative analysis covers the majority of circumstances. The Bank will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used, such as:

    - More than 30 days past due. According to Circular 4/2017, default of more than 30 days is a presumption that can be rebutted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk. As of December 31, 2019, the Bank has not considered periods higher than 30 days for any of the significant portfolios.

    - Watch list: They are subject to special watch by the Risk units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment.

    - Refinance or restructuring that does not show evidence of impairment.

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

Thus the classification of financial instruments subject to impairment under Circular 4/2017 is as follows:

- Stage 1– without significant increase in credit risk

Financial assets which are not considered to have significantly increased in credit risk have loss allowances measured at an amount equal to 12 months expected credit losses derived from defaults.

- Stage 2– significant increases in credit risk

When the credit risk of a financial asset has increased significantly since the initial recognition, the loss allowances of that financial instrument is calculated as the expected credit loss during the entire life of the asset.

- Stage 3 – Impaired

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

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

Method for calculating expected credit loss

Method for calculating expected loss

In accordance with Circular 4/2017, the measurement of expected losses must reflect:

- A considered and unbiased amount, determined by evaluating a range of possible results;

- The time value of money.
- Reasonable and supportable information that is available without undue cost or effort and that reflects current conditions and forecasts of future economic conditions.

The Bank measures the expected losses both individually and collectively. The purpose of the Bank's individual measurement is to estimate expected losses for significant impaired instruments, or instruments classified in Stage 2. In these cases, the amount of credit losses is calculated as the difference between expected discounted cash flows at the effective interest rate of the transaction and the carrying amount of the instrument.

For the collective measurement of expected losses the instruments are grouped into groups of assets based on their risk characteristics. Exposure within each group is segmented according to the common credit risk characteristics, similar characteristics of the credit risk, indicative of the payment capacity of the borrower in accordance with their contractual conditions. These risk characteristics have to be relevant in estimating the future flows of each group. The characteristics of credit risk may consider, among others, the following factors:

- Type of instrument.
- Rating or scoring tools.
- Credit risk scoring or rating.
- Type of collateral.
- Amount of time at default for stage 3.
- Segment.
- Qualitative criteria which can have a significant increase in risk.
- Collateral value if it has an impact on the probability of a default event.

The estimated losses are derived from the following parameters:

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

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

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

Use of present, past and future information

Circular 4/2017 requires incorporation of present, past and future information to detect any significant increase in risk and measure expected loss.

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

The approach used by the Bank consists of using first the most probable scenario (baseline scenario) consistent with that used in the Bank's internal management processes, and then applying an additional adjustment, calculated by considering the weighted average of expected losses in other economic scenarios (one more positive and the other more negative). The main macroeconomic variables that are valued are Gross Domestic Product (GDP), tax rates, unemployment rate and price of real estate properties.

2.1.5 Transfers and derecognition of financial assets and liabilities

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

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

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

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

In the specific case of securitizations, this liability is recognized under the heading "Financial liabilities at amortized cost – Customer deposits" in the balance sheets (see Note 20). As these liabilities do not constitute a current obligation, when measuring such a financial liability the Bank deducts those financial instruments owned by it which constitute financing for the entity to which the financial assets have been transferred, to the extent that these instruments are deemed specifically to finance the transferred assets.

Both the income generated on the transferred (but not derecognized) financial asset and the expense of the new financial liability continue to be recognized.

The criteria followed with respect to the most common transactions of this type made by the Bank are as follows:

- Purchase and sale commitments: Financial instruments sold with a repurchase agreement are not derecognized from the balance sheets and the amount received from the sale is considered to be financing from third parties.
- Financial instruments acquired with an agreement to subsequently resell them are not recognized in the balance sheets and the amount paid for the purchase is considered to be credit given to third parties.
- Securitization: The Bank has applied the most stringent criteria for determining whether or not it retains substantially all the risk and rewards on such assets for all securitizations performed since January 1, 2004. As a result of this analysis, the Bank has concluded that none of the securitizations undertaken since that date meet the prerequisites for derecognizing the securitized assets from the balance sheets (see Note 12 and Appendix VI), as the Bank retains substantially all the expected credit risks and possible changes in net cash flows, while retaining the subordinated loans and lines of credit extended to these securitization funds.

2.2. Financial guarantees

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

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

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying loss allowances on debt instruments measured at amortized cost (see Note 2.1.4).

The provisions recognized for financial guarantees considered impaired are recognized under the heading "Provisions - Provisions for contingent risks and commitments" on the liability side in the balance sheets (see Note 21). These provisions are recognized and reversed with a charge or credit, respectively, to "Provisions or reversal of provision" in the income statements (see Note 41).

Income from financial guarantees is recorded under the heading "Fee and commission income" in the income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 35).

Synthetic securitizations made by the Bank to date, meet the requirements of the accounting regulations for accounting as guarantees. Consideration as a financial guarantee means recognition of the commission paid for it over the period.

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

The headings "Non-current assets and disposal groups classified as held for sale and "liabilities included in disposal groups classified as held for sale" in the balance sheets includes the carrying amount of assets that are not part of the Bank's operating activities. The recovery of this carrying amount is expected to take place through the price obtained on its disposal (see Note 19).

These headings include individual items and groups of items ("disposal groups") and disposal groups that form part of a major operating segment and are being held for sale as part of a disposal plan ("discontinued operations"). The heading "Non-current assets and disposal groups classified as held for sale" include the assets received by the Bank from their debtors in full or partial settlement of the debtors' payment obligations (assets foreclosed or received payment of debt and recovery of lease finance transactions), unless the Bank has decided to make continued use of these assets.

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

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

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

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

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

Fair value of non-current assets held for sale from foreclosures or recoveries is based mainly in appraisals or valuations made by independent experts on annual basis or more frequently, should there be indicators of impairment. The Bank applies the rule that these appraisals may not be older than one year, and their age is reduced if there is an indication of deterioration in the assets. The Bank mainly uses the services of the following valuation and appraisal companies. None of them is linked to the BBVA Group and all are entered in the official Bank of Spain register: Sociedad de Tasación, S.A.; Krata, S.A.; Gesvalt, S.A.; Tasvalor, S.A.; Tinsa, S.A.; Valmesa, S.A.; Arco Valoraciones, S.A., Tecnitasa, S.A., Eurovaloraciones, S.A., JLL Valoraciones, S.A., Tasibérica, S.A., Uve Valoraciones, S.A and Global Valuation, S.A.U.

Gains and losses generated on the disposal of assets and liabilities classified as non-current held for sale, and liabilities included in disposal groups classified as held for sale as well as impairment losses and, where pertinent, the related recoveries, are recognized in "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the income statements (see Note 45). The remaining income and expense items associated with these assets and liabilities are classified within the relevant income statement headings.

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

2.4. Tangible assets

Property, plant and equipment for own use

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

For more information regarding the accounting treatment of right to use assets under lease terms, see Note 2.15 "Leases".

Property, plant and equipment for own use are presented in the balance sheets at acquisition cost, less any accumulated depreciation and, where appropriate, any estimated impairment losses resulting from comparing the net carrying amount of each item with its corresponding recoverable value (see Note 15).

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

The tangible asset depreciation charges are recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 40) and are based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

Depreciation rates for tangible assets

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

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

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

In BBVA, most of the buildings held for own use are assigned to the different Cash-Generating-Units (CGU) to which they belong. The corresponding impairment analysis are performed for these CGUs to check whether sufficient cash flows are generated to support the value of the assets comprised within.

Running and maintenance expense relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the income statements under the heading " Administration costs - Other administrative expense - Property, fixtures and equipment " (see Note 39.2).

Other assets leased out under an operating lease

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

Investment properties

The heading "Tangible assets - Investment properties" in the balance sheet reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated loss allowance) of the land, buildings and other structures that are held either to earn rentals or for capital appreciation through sale and that are neither expected to be sold off in the ordinary course of business nor are destined for own use (see Note 15).

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

BBVA determines periodically the fair value of its investment properties in such a way that, at the end of the financial year, the fair value reflects the market conditions of material assets for own use. Impairment losses are recorded based on an individual analysis of each of the real estate investments.

2.5. Intangible assets

Intangible assets in the financial statements of the Bank have a finite useful life.

The useful life of intangible assets is, at most, equal to the period during which the entity is entitled to use the asset; If the right of use is for a limited renewable period, the useful life includes the renewal period only when there is evidence that the renewal will be carried out without a significant cost (see Note 16).

When the useful life of intangible assets cannot be estimated reliably, they are amortized over a ten year period.

Intangible assets are amortized according to the duration of this useful life, using methods similar to those used to depreciate tangible assets. The defined useful life intangible asset is made up mainly of IT applications acquisition costs which have a useful life of 3 to 5 years. The depreciation charge for these assets is recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 40).

The Bank recognizes any loss allowance on the carrying amount of these assets with charge to the heading “Impairment or reversal of impairment on non - financial assets- Intangible assets” in the accompanying income statements (see Note 43). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of loss allowances previously recognized, are similar to those used for tangible assets.

2.6. Tax assets and liabilities

Expense on corporate income tax applicable to Spanish companies are recognized in the income statement, except when they result from transactions on which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity.

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

Deferred tax assets and liabilities include temporary differences, defined as at the amounts to be payable or recoverable in future years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the “tax value”), and tax loss and tax credit or discount carry forwards. These amounts are registered by applying to each temporary difference the tax rates that are expected to apply when the asset is realized or the liability settled (see Note 17).

The "Tax Assets" line item in the accompanying balance sheets includes the amount of all the assets of a tax nature, broken down into: "Current" (amounts of tax recoverable in the next twelve months) and "Deferred" (which includes the amount of tax to be recovered in future years, including those arising from tax losses or credits for deductions or rebates that can be compensated). The "Tax Liabilities" line item in the accompanying balance sheets includes the amount of all the liabilities of a tax nature, except for provisions for taxes, broken down into: "Current" (income tax payable on taxable profit for the year and other taxes payable in the next twelve months) and "Deferred" (the amount of corporate tax payable in subsequent years).

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

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

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

2.7. Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the balance sheet includes amounts recognized to cover the Bank's current obligations arising as a result of past events. These are certain in terms of nature but uncertain in terms of amount and/or settlement date. The settlement of these obligations by the Bank is deemed likely to entail an outflow of resources embodying economic benefits (see Note 21). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by the Bank relative to third parties in relation to the assumption of certain responsibilities or through virtually certain developments of particular aspects of the regulations applicable to the operation of the entities; and, specifically, future legislation to which the Bank will certainly be subject.

The provisions are recognized in the balance sheets when each and every one of the following requirements is met:

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

Among other items, these provisions include the commitments made to employees (mentioned in section 2.8), as well as provisions for tax and legal litigation.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Bank. Contingent assets are not recognized in the balance sheet or in the income statement; however, they will be disclosed, should they exist, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits (see Note 30).

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

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

2.8. Post-employment and other employee benefit commitments

Below we provide a description of the most significant accounting criteria relating to post-employment and other employee benefit commitments assumed by the Bank (see Note 22).

Short-term employee benefits

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

Costs are charged and recognized under the heading "Administration costs – Personnel expense – Other personnel expense" of the income statement (see Note 39.1).

Post-employment benefits – Defined-contribution plans

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

The contributions made to these plans in each period by the Bank are charged and recognized under the heading "Administration costs – Personnel expense – Defined-contribution plan expense" of the income statement (see Note 39.1).

Post-employment benefits – Defined-benefit plans

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

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

Furthermore, the Bank provides welfare and medical benefits which extend beyond the date of retirement of the employees entitled to the benefits.

All of these commitments are quantified based on actuarial valuations, with the amounts recorded under the heading "Provisions – Provisions for pensions and similar obligations" and determined as the difference between the value of the defined-benefit commitments and the fair value of plan assets at the date of the financial statements (see Note 21).

Current service cost are charged and recognized under the heading "Administration costs – Personnel expense – Defined-benefit plan expense" of the income statement (see Note 39.1).

Interest credits/charges relating to these commitments are charged and recognized under the headings "Interest income and other income" and "Interest expense" of the income statement.

Past service costs arising from benefit plan changes as well as early retirements granted during the period are recognized under the heading "Provisions or reversals of provisions" of the income statement (see Note 41).

Other long-term employee benefits

In addition to the above commitments, the Bank provides leave and long-service awards to their employees, consisting of either an established monetary amounts or shares in Banco Bilbao Argentaria S.A. granted upon completion of a number of years of qualifying service.

These commitments are quantified based on actuarial valuations and the amounts recorded under the heading "Provisions – Other long-term employee benefits" of the balance sheet (see Note 21).

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

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

In establishing the actuarial assumptions we take into account that:

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

The Bank recognizes actuarial gains/losses relating to early retirement benefits, long service awards and other similar items under the heading "Provisions or reversal of provisions" of the income statement for the period in which they arise (see Note 41). Actuarial gains/losses relating to pension benefits are directly charged and recognized under the heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Actuarial gains or losses on defined benefit pension plans" of equity in the balance sheet (see Note 27).

2.9. Equity-settled share-based payment transactions

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

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

2.10. Termination benefits

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

2.11. Treasury shares

The value of common stock -basically, shares and derivatives over the Bank's shares held by itself that comply with the requirements to be recognized as equity instruments- is recognized as a decrease to net equity under the heading "Shareholders' funds – other reserves" in the balance sheets (see Note 26).

These financial assets are recognized at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, to the heading "Shareholders' funds – other reserves " in the balance sheet (see Note 25).

2.12. Foreign-currency transactions

Assets, liabilities and futures transactions

The assets and liabilities in foreign currencies, including those of branches abroad, and the unmatured hedging forward foreign currency purchase and sale transactions, are converted to euros at the average exchange rates on the Spanish spot currency market (or based on the price of the U.S. dollar on local markets for the currencies not listed on this market) at the end of each period, with the exception of:

- Non-current investments in securities denominated in foreign currencies and financed in euros or in a currency other than the investment currency, which are converted at historical exchange rates.

- Unmatured non-hedging forward foreign currency purchase and sale transactions, which are converted at the exchange rates on the forward currency market at the end of each period as published by the Bank of Spain for this purpose.

The exchange differences that arise when converting these foreign-currency assets and liabilities (including those of the branches) into euros are recognized under the heading "Exchange differences, net" in the income statement, except for those differences that arise in non-monetary measured at fair value are recorded to equity under the heading "Accumulated other comprehensive income or loss - Items not subject to reclassification to income statement - Fair value changes of equity instruments measured at fair value through other comprehensive income".

The breakdown of the main balances in foreign currencies as of December 31, 2019 and 2018, with reference to the most significant foreign currencies, is set forth in Appendix VIII.

Structural currency positions

As a general policy, the Bank's investments in foreign subsidiaries and the endowment funds provided to branches abroad are financed in the same currency as the investment in order to eliminate the future currency risk arising from these transactions. However, the investments made in countries whose currencies do not have a market which permits the obtainment of unlimited, lasting and stable long-term financing are financed in another currency.

2.13. Recognition of income and expense

The most significant policies used by the Bank to recognize its income and expense are as follows.

- Interest income and expense and similar items

  As a general rule, interest income and expense and similar items are recognized on the basis of their period of accrual using the effective interest rate method.

  They shall be recognized within the income statement according to the following criteria, independently from the financial instruments' portfolio which generates the income or expense:

  - The interest income past-due before the initial recognition and pending to be received will form part of the gross carrying amount of the debt instrument.

  - The interest income accrued after the initial recognition will form part of the gross carrying amount of the debt instrument until it will be received.

  The financial fees and commissions that arise on the arrangement of loans and advances (basically origination and analysis fees) are deferred and recognized in the income statement over the expected life of the loan. From that amount, the transaction costs identified as directly attributable to the arrangement of the loans and advances will be deducted. These fees are part of the effective interest rate for the loans and advances.

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

- Income from dividends received:

Dividends shall be recognized within the income statement according to the following criteria, independently from the financial instruments' portfolio which generates this income:

- When the right to receive payment has been declared before the initial recognition and when the payment is pending to be received, the dividends will not form part of the gross carrying amount of the equity instrument and will not be recognized as income. Those dividends are accounted for as financial assets separately from the net equity instrument.
- If the right to receive payment is received after the initial recognition, the dividends from the net equity instruments will be recognized within the income statement. If the dividends correspond indubitable to the profits of the issuer before the date of initial recognition, they will not be recognized as income but as reduction of the gross carrying amount of the equity instrument because it represents a partly recuperation of the investment. Amongst other circumstances, the generation date can be considered to be prior to the date of initial recognition if the amounts distributed by the issuer as from the initial recognition are higher than its profits during the same period.

- Commissions, fees and similar items

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

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

- Non-financial income and expenses

These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments

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

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

The heading "Other operating income" in the income statement includes the proceeds of sales of assets and income from the provision of non-financial services (see Note 38).

2.15. Leases

As of January 1, 2019, Circular 2/2018 came into force and includes changes in the lessee accounting model (see Note 2.20). The single lessee accounting model requires the lessee to record assets and liabilities for all lease contracts. The standard provides two exceptions to the recognition of lease assets and liabilities that can be applied in the case of short-term contracts and those in which the underlying assets have low value. BBVA has elected to apply both exceptions. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, which is recorded under the headings '' Tangible assets – Property plants and equipment'' and'' Tangible assets – Investment properties'' of the balance sheet (see Note 17) and a lease liability representing its obligation to make lease payments which are recorded under the heading '' Financial liabilities at amortized cost – Other financial liabilities'' in the balance sheet (see Note 20.6).

At the initial date of the lease, the lease liability represents the present value of all lease unpaid payments. The liabilities registered under this heading of the balance sheets are measured after their initial recognition at amortized cost, this being determined in accordance with the "effective interest rate" method.

The right to use assets are initially recorded at cost. This cost consists of the initial measurement of the lease liability, any payment made before the initial date less any lease incentives received, all direct initial expenses incurred, as well as an estimate of the expenses to be incurred by the lessee, such as expenses related to the removal and dismantling of the underlying asset. The assets recorded under this heading of the balance sheets are measured after their initial recognition at cost less:

- The accumulated depreciation and accumulated impairment
- Any remeasurement of the lease liability.

The interest expense on the lease liability is recorded in the income statements under the heading “Interest expense” (see note 33). Variable payments not included in the initial measurement of the lease liability are recorded under the heading “Administration costs – Other administrative expense” (see note 39).

Amortization is calculated using the straight-line method over the lifetime of the lease contract, on the basis of the cost of the assets. The tangible asset depreciation charges are recognized in the accompanying income statements under the heading "Depreciation and Amortization" (see Note 40).

In case of electing one of the exceptions in order not to recognize the corresponding right to use and the liability in the balance sheets, payments related to the corresponding lease are recognized in the income statements, over the contract period, lineally, or in the way that best represents the structure of the lease operation, under the heading "Operating expense -Other operating expense” (see note 38).

Operating leases and subleases incomes are recognized in the income statements under the headings “Operating income-Other operating income” (see note 38).

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

When the entities act as the lessor of an asset under finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee’s purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading “Loans and receivables” in the accompanying balance sheets (see Note 12).

When the entities act as lessors of an asset in operating leases, the acquisition cost of the leased assets is recognized under "Tangible assets – Property, plant and equipment – Other assets leased out under an operating lease" in the balance sheets (see Note 17). These assets are depreciated in line with the criteria adopted for items of tangible assets for own use, while the income arising from the lease arrangements is recognized in the income statements on a straight-line basis within "Other operating expense" (see Note 38).

If a fair value sale and leaseback results in a lease, the profit or loss generated from the sale (only for the effectively transmitted part) is recognized in the income statement at the time of sale.

2.16. Entities and branches located in countries with hyperinflationary economies

None of the functional currencies of the branches located abroad relate to hyperinflationary economies as defined by Circular 4/2017 and subsequent amendments. Accordingly, as of December 31, 2019 and 2018 it was not necessary to adjust the financial statements of any branch to correct for the effect of inflation.

2.17. Statements of recognized income and expense

The statements of recognized income and expense reflect the income and expenses generated each year. They distinguish between income and expense recognized as results in the income statements and “Accumulated other comprehensive income” (see Note 27) recognized directly in equity. “Accumulated other comprehensive income” include the changes that have taken place in the year in the “Accumulated other comprehensive income” broken down by item.

The sum of the changes to the heading “Accumulated other comprehensive income” of the total equity and the net income of the year forms the “Accumulated other comprehensive income”.

2.18. Statements of changes in equity

The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any.

The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as “Accumulated other comprehensive income” (see Note 27), are included in the Bank’s total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.

2.19. Statements of cash flows

The indirect method has been used for the preparation of the statement of cash flows. This method starts from the Bank's net income and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and cash equivalents.

When preparing these financial statements the following definitions have been used:

- Cash flows: Inflows and outflows of cash and cash equivalents.
- Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities.
- Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities.
- Financing activities: Activities that result in changes in the size and composition of the Bank's equity and of liabilities that do not form part of operating activities.

2.20. Recent pronouncements

As of January 1, 2019, the Circular 2/2018 issued by the Bank of Spain entered into force and his main objective is to adapt the Circular 4/2017 to IFRS 16 about Leases. The new standard introduces a single lessee accounting model and will require a lessee to recognize in the balance sheet assets and liabilities for all leases with a term of more than 12 months. A lessee will be required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Circular provides for two exceptions to the recognition of lease assets and liabilities, which can be applied in cases of short-term contracts and those whose underlying asset is of low value. BBVA has decided to apply both exceptions. The lessee must recognize in the assets a right-of-use that represents his right to use the leased asset that is recorded under the headings ¨Tangible assets – Property plants and equipment" and "Tangible asset - Real estate investments" of the balance sheet (see Note 15), and a lease liability that represents its obligation to make the lease payments that are recorded under the heading "Financial liabilities at amortized cost - Other financial liabilities" of the balance sheet (see Note 20.5). For the purposes of the profit and loss account, the amortization of the right of use must be recorded under the heading of "Amortization - tangible assets" (see Note 40) and the financial cost associated with the lease liability under the heading of "Interest Expenses - financial liabilities at amortized cost" (see Note 33.2).

With regard to lessor accounting, the new circular substantially carries forward the previous lessor accounting requirements. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and account for those two types of leases differently.

At the transition date, the Bank decided to apply the modified retrospective approach which requires recognition of a lease liability equal to the present value of the future payments committed to as of January 1, 2019. Regarding the measurement of the right-of-use asset, the Group elected to record an amount equal to the lease liability, adjusted for the amount of any advance or accrued lease payment related to that lease recognized in the balance sheet before the date of initial application.

The Bank's lease liabilities, consequence of the first application of the Bank of Spain Circular 2/2018 correspond to the present value of the future lease payments obligations during the lifetime of the lease (see Note 20.5). This liability on January 1, 2019 did not coincide with the future minimum payments for operating leases which had been disclosed in Note 31 of the financial statements for the year 2018 and which were calculated under the previous standards. The difference is mainly the result of the discount rate to determine the present value of the future payments as well as the lease term which includes the options to extend and/or early terminated, provided that it is reasonably certain that this option will/will not be exercised. The discount rate used in the Bank at the moment of the first application amounted to 1.67%.

As of January 1, 2019, the Bank recognized assets for the right-of-use and lease liabilities for an amount of €3,204 and €3,238 million, respectively.

3. Shareholder remuneration system

BBVA's shareholder remuneration policy communicated in October 2013 established the distribution of an annual pay-out of between 35% and 40% of the profits earned in each year and the progressive reduction of the remuneration via "Dividend Options", so that the shareholders' remuneration would ultimately be fully in cash. As announced on February 1, 2017; on March 29, 2017 BBVA's Board of Directors executed a capital increase to be charged to voluntary reserves for the instrumentation of the last "Dividend Option", being the subsequent shareholders' remunerations fully in cash.

This fully in cash shareholders' remuneration policy would be composed of a distribution on account of the dividend of such year (expected to be paid in October) and a final dividend (which would be paid once the year has ended and the profit allocation has been approved, expected for April), subject to the applicable authorizations by the competent governing bodies.

Cash Dividends

Throughout 2017, 2018 and 2019, BBVA's Board of Directors approved the payment of the following dividends (interim or final dividends) fully in cash, recorded in "Total Equity- Interim Dividends" and "Total Equity – Retained earnings" of the balance sheet of the relevant year:

- The Board of Directors, at its meeting held on 26 September 2018, approved the payment in cash of €0.10 (€0.081net of withholding tax) per BBVA share. The total amount paid to the shareholders on October 10, 2018 amounted to €667 million and is recognized under the headings "Total equity-Interim dividends" of the balance sheet as of December 31, 2018.
- The Annual General Meeting of BBVA held on March 15, 2019, approved, under item 1 of the Agenda, the payment of a final dividend for 2018, in addition to other dividends previously paid, in cash for an amount equal to €0.16 (€0.1296 withholding tax) per BBVA share. The total amount paid to shareholders on April 10, 2019, after deducting treasury shares held by the Group's Companies, amounted to €1,064 million and is recognized under the heading "Total equity- Interim dividends" of the balance sheet as of December 31, 2019.
- The Board of Directors, at its meeting held on October 2, 2019, approved the payment in cash of €0.10 (€0.081 net of withholding tax rate of 19%) per BBVA share, as gross interim dividend based on 2019 results. The total amount paid to shareholders on October 15, 2019, after deducting treasury shares held by the Group´s companies, amounted 667 million and is recognized under heading "Total equity- Interim dividends" of the balance sheet as of December 31, 2019.

The interim accounting statements prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of amounts approved on October 2, 2019, mentioned above, are as follows:

Available amount for Interim dividend payments (Millions of Euros)

	August 31, 2019
Profit of BBVA, S.A., after the provision for income tax	1,137
Additional Tier I capital instruments remuneration	276
Maximum amount distributable	**861**
Amount of proposed interim dividend	**667**
BBVA cash balance available to the date	**6,691**

Proposal on allocation of earnings for 2019

The allocation of earnings for 2019 subject to the approval of the Board of Directors at the Annual Shareholders Meeting is presented below:

Allocation of earnings (Millions of Euros)

	December 2019
Profit for year	**2,241**
Distribution	
Interim dividends	667
Final dividend	1,067
Additional Tier 1 securities	419
Voluntary reserves	88

4. Earnings per share

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

The calculation of earnings per share of BBVA is as follows:

Basic and Diluted Earnings per Share

	2019	2018 (4)
Numerator for basic and diluted earnings per share (millions of euros)		
Profit attributable to parent company	3,512	5,400
Adjustment: Additional Tier 1 securities (1)	(419)	(447)
Profit adjusted (millions of euros) (A)	**3,093**	**4,953**
Of which: profit from discontinued operations (net of non-controlling interest) (B)	-	-
Denominator for basic earnings per share (number of shares outstanding)		
Weighted average number of shares outstanding (2)	6,668	6,668
Weighted average number of shares outstanding x corrective factor (3)	6,668	6,668
Adjusted number of shares - Basic earnings per share (C)	**6,648**	**6,636**
Adjusted number of shares - diluted earnings per share (D)	**6,648**	**6,636**
Earnings per share (*)	**0.47**	**0.75**
Basic earnings per share from continued operations (Euros per share)A-B/C	0.47	0.75
Diluted earnings per share from continued operations (Euros per share)A-B/D	0.47	0.75
Basic earnings per share from discontinued operations (Euros per share)B/C	-	-
Diluted earnings per share from discontinued operations (Euros per share)B/D	-	-

(1) Remuneration in the year related to contingent convertible securities recognized in equity (See Note 20.4).
(2) Weighted average number of shares outstanding (millions of euros), excluding weighted average of treasury shares during the year.
(3) Corrective factor, due to the capital increase with pre-emptive subscription right, applied for the previous years.
(4) The figures corresponding to 2018 have been restated (see Note 1.3)
(*) During 2019 the weighted average number of shares outstanding was 6,668 million (6,668 during 2018) and the adjustment of additional Tier 1 securities amounted to €419 million (€447 as of December 31, 2018).

As of December 31, 2019 and 2018 there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same for both dates.

5. Risk management

5.1. Credit risk

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

The general principles governing credit risk management in the BBVA Group are as follows:

- Risks taken must comply with the general risk policy established by the Board of Directors of BBVA.
- Risks taken must be in line with the level of equity and generation of recurring revenue of the BBVA Group, prioritizing risk diversification and avoiding relevant concentrations.

- Risks taken must be identified, measured and assessed and there should be management and monitoring procedures, in addition to sound mitigation and control mechanisms.
- Risks must be managed in a prudent and integrated manner during their life cycle and their treatment should be based on the type of risk. In addition, portfolios should be actively managed on the basis of a common metric (economic capital).
- The affordability of the borrower or obligor to fulfill on a timely basis all financial obligations with its business income or source of income without depending upon guarantors, bondsmen or pledged assess, it's the main criterion when granting credit risks.

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

- At Group level: frameworks for action and standard rules of conduct are defined for handling risk, specifically, the channels, procedures, structure and supervision.
- At the business area level: they are responsible for adapting the Group's criteria to the local realities of each geographical area and for direct management of risk according to the decision-making channels:
  - Retail risks: in general, the decisions are formalized according to the scoring tools, within the general framework for action of each business area with regard to risks. The changes in weighting and variables of these tools must be validated by the GRM area.
  - Wholesale risks: in general, the decisions are formalized by each business area within its general framework for action with regard to risks, which incorporates the delegation rule and the Group's corporate policies

The risk function has a decision-making process supported by a structure of committees with a solid governance scheme, which describes their purposes and functioning for a proper performance of their tasks.

5.1.1 Measurement Expected Credit Loss (ECL)

Bank of Spain Circular 4/2017 requires determining the expected credit loss of a financial instrument in a way that reflects an unbiased estimation removing any conservatism or optimism, the time value of money and a forward looking perspective (including the economic forecast).

Therefore the recognition and measurement of expected credit losses (ECL) is highly complex and involves the use of significant analysis and estimation including formulation and incorporation of forward-looking economic conditions into ECL.

Risk Parameters Adjusted by Macroeconomic Scenarios

Expected Credit Loss must include forward looking information, in accordance with Bank of Spain 4/2017 which states that the comprehensive credit risk information must incorporate not only historical information but also all relevant credit information, including forward-looking macroeconomic information. BBVA uses the classical credit risk parameters PD, LGD and EAD in order to calculate the ECL for the credit portfolios.

BBVA´s methodological approach in order to incorporate the forward looking information aims to determine the relation between macroeconomic variables and risk parameters following three main steps:

- Step 1: Analysis and transformation of time series data.
- Step 2: For each dependent variable find conditional forecasting models that are economically consistent.
- Step 3: Select the best conditional forecasting model from the set of candidates defined in Step 2, based on their forecasting capacity.

How economic scenarios are reflected in calculation of ECL

The forward looking component is added to the calculation of the ECL through the introduction of macroeconomic scenarios as an input. Inputs highly depend on the particular combination of region and portfolio, so inputs are adapted to available data regarding each of them.

Based on economic theory and analysis, the main indicators most directly relevant for explaining and forecasting the selected risk parameters (PD, LGD and EAD) are:

- The net income of families, corporates or public administrations.
- The outstanding payment amounts on the principal and interest on the financial instruments.
- The value of the collateral assets pledge to the loan.

BBVA Group approximates these variables by using a proxy indicator from the set included in the macroeconomic scenarios provided by the economic research department.

Only a single specific indicator for each of the three categories can be used and only one of the following core macroeconomic indicators should be chosen as first option:

- The real GDP growth for the purpose of conditional forecasting can be seen as the only "factor" required for capturing the influence of all potentially relevant macro-financial scenarios on internal PDs and LGD.
- The most representative short term interest rate (typically the policy rate or the most liquid sovereign yield or interbank rate) or exchange rates expressed in real terms.
- A comprehensive and representative index of the price of real estate properties expressed in real terms in the case of mortgage loans and a representative and real term index of the price of the relevant commodity for corporate loan portfolios concentrated in exporters or producer of such commodity.

Real GDP growth is given priority over any other indicator not only because it is the most comprehensive indicator of income and economic activity but also because it is the central variable in the generation of macroeconomic scenarios.

Multiple scenario approach under Bank of Spain Circular 4/2017

Bank of Spain Circular 4/2017 requires calculating an unbiased probability weighted measurement of expected credit losses ("ECL") by evaluating a range of possible outcomes, including forecasts of future economic conditions.

The BBVA Research teams within the BBVA Group produce forecasts of the macroeconomic variables under the baseline scenario, which are used in the rest of the related processes of the Bank, such as budgeting, ICAAP and risk appetite framework, stress testing, etc.

Additionally, the BBVA Research teams produced alternative scenarios to the baseline scenario so as to meet the requirements under the IFRS 9 standard.

Alternative macroeconomic scenarios

- For each of the macro-financial variables, BBVA Research produces three scenarios.
- BBVA Research tracks, analyzes and forecasts the economic environment to provide a consistent forward looking assessment about the most likely scenario and risks that impact BBVA's footprint. To build economic scenarios, BBVA Research combines official data, econometric techniques and expert knowledge.
- Each of these scenarios corresponds to the expected value of a different area of the probabilistic distribution of the possible projections of the economic variables.
- The non-linearity overlay is defined as the ratio between the probability-weighted ECL under the alternative scenarios and the baseline scenario, where the scenario's probability depends on the distance of the alternative scenarios from the base one.
- BBVA Group establishes equally weighted scenarios, being the probability 34% for the baseline scenario, 33% for the worst alternative scenario and 33% for the best alternative scenario.

BBVA Group considers three prospective macroeconomic scenarios which are updated periodically (currently every three months). BBVA Research projects a maximum of five years for the macroeconomic variables. The estimation for the next five years of the Gross Domestic Product (GDP), Housing Price Index (HPR) and unemployment rate used in the estimation of the measurement of expected credit loss as of December 31, 2019 is as follows:

Main BBVA, S.A. variables.

Date	GDP negative scenario	GDP base scenario	GDP positive scenario	HPR negative scenario	HPR base scenario	HPR positive scenario	Unemployment negative scenario	Unemployment base scenario	Unemployment positive scenario
2019	0.96%	1.54%	2.15%	2.69%	3.99%	5.16%	0.65%	-0.44%	-1.57%
2020	1.35%	1.87%	2.42%	3.67%	5.08%	6.66%	-0.62%	-1.09%	-1.57%
2021	2.01%	2.10%	2.19%	2.71%	3.24%	3.73%	-1.17%	-1.19%	-1.20%
2022	1.85%	1.89%	1.88%	0.70%	1.24%	1.63%	-1.00%	-0.99%	-0.95%
2023	1.81%	1.85%	1.85%	0.26%	0.99%	1.41%	-0.99%	-0.98%	-0.94%

The approach in BBVA consists on using the scenario that is the most likely scenario, which is the baseline scenario, consistent with the rest of internal processes (ICAAP, budgeting...) and then applying an overlay adjustment that is calculated by taking into account the weighted average of the ECL determined by each of the scenarios.

It is important to note that in general, it is expected that the effect of the overlay is to increase the ECL. It is possible to obtain an overlay that does not have that effect, whenever the relationship between macro scenarios and losses is linear. However, the overlay is not expected to reduce the ECL.

5.1.2 Credit risk exposure

BBVA's maximum credit risk exposure (see definition below) by headings in the balance sheets as of December 31, 2019 and 2018 is provided below. It does not consider the loss allowances, and the availability of collateral or other credit enhancements to guarantee compliance with payment obligations are not deducted. The details are broken down by financial instruments and counterparties:

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2019	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**51,853**			
Debt securities	8	10,213			
Government		9,225			
Credit institutions		439			
Other sectors		549			
Equity instruments	8	8,205			
Loans and advances	8	33,435			
Non-trading financial assets mandatorily at fair value through profit or loss		**855**			
Loans and advances to customers	9	602			
Debt securities	9	128			
Government		-			
Credit institutions		51			
Other sectors		77			
Equity instruments		125			
Financial assets designated at fair value through profit or loss	**10**	**-**			
Derivatives (trading and hedging) (*)		**31,557**			
Financial assets at fair value through other comprehensive income		**24,912**			
Debt securities	11	23,163	23,163	-	-
Government		19,601	19,601	-	-
Credit institutions		742	742	-	-
Other sectors		2,820	2,820	-	-
Equity instruments	11	1,749			
Financial assets at amortized cost		**230,673**	**207,471**	**14,612**	**8,590**
Loans and advances to central banks		5	5	-	-
Loans and advances to credit institutions		8,050	8,037	12	-
Loans and advances to customers		201,109	177,922	14,597	8,589
Debt securities		21,509	21,506	3	1
Total financial assets risk		**339,852**			
Total loan commitments and financial guarantees	**29**	**110,819**	**106,182**	**4,015**	**621**
Total maximum credit exposure		**450,671**			

(*) Without considering derivatives whose counterparty are BBVA Group companies.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2018	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**44,993**			
Debt securities	8	11,453			
Government		10,665			
Credit institutions		407			
Other sectors		380			
Equity instruments	8	4,850			
Loans and advances	8	28,690			
Non-trading financial assets mandatorily at fair value through profit or loss		**1,726**			
Loans and advances to customers	9	1,376			
Debt securities	9	150			
Government		-			
Credit institutions		64			
Other sectors		86			
Equity instruments		200			
Financial assets designated at fair value through profit or loss	**10**	**-**			
Derivatives (trading and hedging) (*)		**29,607**			
Financial assets at fair value through other comprehensive income		**19,281**			
Debt securities	11	17,261	17,261	-	-
Government		14,038	14,038	-	-
Credit institutions		424	424	-	-
Other sectors		2,799	2,799	-	-
Equity instruments	11	2,020			
Financial assets at amortized cost		**224,981**	**201,996**	**13,008**	**9,976**
Loans and advances to central banks		7	7	-	-
Loans and advances to credit institutions		5,276	5,264	8	4
Loans and advances to customers		199,842	177,047	12,822	9,972
Debt securities		19,856	19,679	178	-
Total financial assets risk		**320,588**			
Total loan commitments and financial guarantees	**29**	**105,912**	**102,088**	**3,135**	**689**
Total maximum credit exposure		**426,500**			

(*) Without considering derivatives whose counterparty are BBVA Group companies.

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

- In the case of financial instruments recognized in the bank's balance sheets, exposure to credit risk is considered equal to its carrying amount (not including loss allowances) with the only exception of trading and hedging derivatives.
- The maximum credit risk exposure on financial commitments and guarantees granted is the maximum that the Group would be liable for if these guarantees were called in, or the higher amount pending to be disposed from the customer in the case of commitments.
- The calculation of risk exposure for derivatives is based on the sum of two factors: the derivatives fair value and their potential risk (or "add-on").

The breakdown by counterparty of the maximum credit risk exposure, the accumulated allowances recorded, as well as the carrying amount by stages of loans and advances to customers as of December 2019 and 2018 is shown below:

December 2019 (Millions of Euros)

	Gross exposure				Accumulated allowances				Net amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Public administrations	14,409	198	88	14,694	(8)	(9)	(21)	(38)	14,401	189	66	14,656
Other financial corporations	8,127	9	7	8,142	(4)	-	(6)	(11)	8,123	8	-	8,132
Non-financial corporations	67,938	7,152	4,144	79,234	(346)	(313)	(2,357)	(3,017)	67,592	6,839	1,786	76,217
Individuals	87,448	7,238	4,351	99,038	(308)	(358)	(1,557)	(2,224)	87,140	6,880	2,793	96,814
Loans and advances to customers (*)	**177,922**	**14,597**	**8,589**	**201,109**	**(667)**	**(681)**	**(3,942)**	**(5,290)**	**177,256**	**13,917**	**4,647**	**195,819**

(*) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc, S.A. (as of December 31, 2019, the remained balance was €433 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

December 2018 (Millions of Euros)

	Gross exposure				Accumulated allowances				Net amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Public administrations	15,644	178	128	15,950	(12)	(12)	(37)	(61)	15,632	166	90	15,889
Other financial corporations	7,400	46	2	7,448	(3)	(1)	(1)	(5)	7,397	45	1	7,443
Non-financial corporations	64,084	6,977	4,683	75,744	(277)	(498)	(2,482)	(3,257)	63,808	6,479	2,201	72,487
Individuals	89,919	5,622	5,159	100,700	(370)	(384)	(1,755)	(2,509)	89,549	5,238	3,405	98,191
Loans and advances to customers (*)	**177,047**	**12,822**	**9,972**	**199,842**	**(662)**	**(895)**	**(4,275)**	**(5,832)**	**176,385**	**11,927**	**5,697**	**194,009**

(*) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2018 the remained balance was €540 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

The breakdown by counterparty and product of loans and advances, net of loss allowances, as well as the gross carrying amount by type of product, classified in the different headings of the assets, as of December 31, 2019 and 2018 is shown below:

December 2019 (Millions of Euros)								
	Central banks	**General governments**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Households**	**Total**	**Gross carrying amount**
On demand and short notice	-	3	-	4	100	46	153	256
Credit card debt	-	-	-	1	137	2,241	2,379	2,474
Trade receivables		963	-	215	12,661	46	13,885	14,067
Finance leases	-	85	-	3	4,689	244	5,021	5,208
Reverse repurchase loans	-	-	87	-	-	-	87	87
Other term loans	5	13,338	2,324	5,723	57,586	94,124	173,100	177,823
Advances that are not loans	-	869	5,639	2,187	1,044	113	9,852	9,851
Loans and advances	**5**	**15,258**	**8,050**	**8,133**	**76,217**	**96,814**	**204,477**	**209,766**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*360*	*-*	*186*	*9,901*	*77,954*	*88,401*	*90,397*
Of which: other collateralized loans		*-*	*6*	*1*	*1,751*	*596*	*2,355*	*2,496*
By purpose of the loan	-	-	-	-	-	-	-	-
Of which: credit for consumption						*11,976*	*11,976*	*12,571*
Of which: lending for house purchase						*76,339*	*76,339*	*77,379*
By subordination	-	-	-	-	-	-	-	-
Of which: project finance loans					*5,525*		*5,525*	*5,593*

December 2018 (Millions of Euros)	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	-	4	-	22	123	67	216	316
Credit card debt	-	1	-	1	131	2,111	2,244	2,309
Trade receivables		929	-	192	11,881	38	13,040	13,214
Finance leases	-	80	-	2	4,309	255	4,646	4,839
Reverse repurchase loans	-	-	84	-	-	-	84	85
Other term loans	5	14,652	878	5,025	55,419	95,622	171,601	176,908
Advances that are not loans	-	1,599	4,308	2,200	624	98	8,829	8,830
LOANS AND ADVANCES	**5**	**17,265**	**5,271**	**7,442**	**72,487**	**98,191**	**200,661**	**206,501**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*390*	*-*	*95*	*11,183*	*81,146*	*92,814*	*95,767*
Of which: other collateralized loans	*-*	*-*	*277*	*3*	*1,397*	*610*	*2,287*	*2,434*
By purpose of the loan								
Of which: credit for consumption						*10,321*	*10,321*	*10,784*
Of which: lending for house purchase						*79,054*	*79,054*	*80,573*
By subordination								
Of which: project finance loans					*6,179*		*6,179*	*6,272*

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

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

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

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

This is carried out through a prudent risk policy that consists in the analysis of the financial risk, based on the capacity of reimbursement or generation of resources of the borrower, the analysis of the guarantee assessing, among others, the efficiency, the robustness and the risk, the adequacy of the guarantee with the operation and other aspects such as the location, currency, concentration or the existence of limitations. Additionally, the necessary tasks for the constitution of guarantees must be carried out - in any of the generally accepted forms (collaterals, personal guarantees and financial hedge instruments) - appropriate to the risk assumed.

The procedures for the management and valuation of collateral are set out in the corporate policies (retail and wholesale), which establish the basic principles for credit risk management, including the management of collaterals assigned in transactions with customers. The criteria for the systematic, standardized and effective treatment of collateral in credit transaction procedures in BBVA Group's wholesale and retail banking are included in the Specific Collateral Rules.

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

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

- Debt instruments held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument (mainly guarantees of the issuer).
- Derivatives and hedging derivatives: In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees and collaterals, depending on counterparty solvency and the nature of the transaction (mainly collaterals).

  The summary of the compensation effect (via netting and collateral) for derivatives and securities operations is presented in Note 5.4.3.
- Other financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument (mainly personal guarantees).

  As of December 31, 2019, BBVA had no credit risk exposure of impaired financial assets at fair value through other comprehensive income (see Note 5.1.2).
- Financial assets at amortized cost:
  - Loans and advances to credit institutions: These usually have the counterparty's personal guarantee or pledged securities in the case of repos
  - Loans and advances to customers: Most of these loans and advances are backed by personal guarantees extended by the customer. There may also be collateral to secure loans and advances to customers (such as mortgages, cash collaterals, pledged securities and other collateral), or to obtain other credit enhancements (bonds or insurances).
  - Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.
- Financial guarantees, other contingent risks and drawable by third parties: these have the counterparty's personal guarantee or other types of collaterals.

The disclosure of impaired loans and advances at amortized cost (see Note 5.1.2) covered by collateral, by type of collateral, as of December 31, 2019 and 2018, is the following:

December 2019 (Millions of Euros)						
	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
Impaired loans and advances at amortized cost	8,589	2,352	721	3	4	6
Total	**8,589**	**2,352**	**721**	**3**	**4**	**6**

December 2018 (Millions of Euros)						
	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
Impaired loans and advances at amortized cost	9,976	2,873	906	11	4	496
Total	**9,976**	**2,873**	**906**	**11**	**4**	**496**

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

The maximum credit risk exposure of impaired financial guarantees and other commitments as of December 31, 2019 and 2018 amounts to €621 and €689 million (see Note 5.1.2).

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

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

Scoring

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

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

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

Rating

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

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

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

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

The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 2019:

External *rating*	Internal *rating*	Probability of default (basic points)		
Standard&Poor's List	Reduced List (22 groups)	Average	Minimum from >=	Maximum
AAA	AAA	1	0	2
AA+	AA+	2	2	3
AA	AA	3	3	4
AA-	AA-	4	4	5
A+	A+	5	5	6
A	A	8	6	9
A-	A-	10	9	11
BBB+	BBB+	14	11	17
BBB	BBB	20	17	24
BBB-	BBB-	31	24	39
BB+	BB+	51	39	67
BB	BB	88	67	116
BB-	BB-	150	116	194
B+	B+	255	194	335
B	B	441	335	581
B-	B-	785	581	1,061
CCC+	CCC+	1,191	1,061	1,336
CCC	CCC	1,500	1,336	1,684
CCC-	CCC-	1,890	1,684	2,121
CC+	CC+	2,381	2,121	2,673
CC	CC	3,000	2,673	3,367
CC-	CC-	3,780	3,367	4,243

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

The table below outlines the distribution of exposure, including derivatives, by internal ratings, to corporates, financial entities and institutions (excluding sovereign risk), of the main BBVA Group entities as of December 31, 2019 and 2018:

Credit Risk Distribution by Internal Rating	2019		2018	
	Amount (Millions of Euros)	%	Amount (Millions of Euros)	%
AAA/AA	36,127	13.88%	30,360	13.40%
A	81,864	31.45%	74,678	33.10%
BBB+	41,524	15.95%	34,492	15.30%
BBB	28,880	11.09%	23,088	10.20%
BBB-	36,586	14.05%	28,586	12.70%
BB+	12,543	4.82%	11,162	4.90%
BB	7,253	2.79%	6,624	2.90%
BB-	6,318	2.43%	6,841	3.00%
B+	3,786	1.45%	4,195	1.90%
B	2,569	0.99%	3,333	1.50%
B-	1,466	0.56%	1,177	0.50%
CCC/CC	1,395	0.54%	1,273	0.60%
Total	**260,312**	**100%**	**225,809**	**100%**

5.1.5 Impaired secured loan risks

The breakdown of loans and advances, within financial assets at amortized cost, non-performing and accumulated impairment as well as the gross carrying amount by counterparties as of December 31, 2019 and 2018 is as follows:

December 2019 (Millions of Euros)	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central banks	**5**	**-**	**-**	**-**
General governments	**14,694**	**88**	**(38)**	**0.6%**
Credit institutions	**8,050**	**-**	**(1)**	**-**
Other financial corporations	**8,142**	**7**	**(11)**	**0.1%**
Non-financial corporations	**79,234**	**4,144**	**(3,017)**	**5.2%**
Agriculture, forestry and fishing	1,364	61	(45)	4.5%
Mining and quarrying	1,523	9	(7)	0.6%
Manufacturing	19,929	657	(521)	3.3%
Electricity, gas, steam and air conditioning supply	5,782	62	(46)	1.1%
Water supply	844	14	(14)	1.7%
Construction	7,038	1,009	(647)	14.3%
Wholesale and retail trade	11,013	1,074	(765)	9.8%
Transport and storage	4,531	135	(108)	3.0%
Accommodation and food service activities	3,514	194	(115)	5.5%
Information and communications	4,685	79	(47)	1.7%
Financial and insurance activities	5,719	151	(114)	2.6%
Real estate activities	6,332	412	(294)	6.5%
Professional, scientific and technical activities	2,093	98	(69)	4.7%
Administrative and support service activities	2,024	80	(61)	4.0%
Public administration and defense, compulsory social security	150	4	(4)	2.6%
Education	177	17	(9)	9.8%
Human health services and social work activities	976	22	(17)	2.3%
Arts, entertainment and recreation	547	35	(26)	6.4%
Other services	993	30	(107)	3.0%
Households	**99,038**	**4,351**	**(2,224)**	**4.4%**
LOANS AND ADVANCES	**209,164**	**8,589**	**(5,291)**	**4.1%**

December 2018 (Millions of Euros)

	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central banks	**7**	**-**	**(2)**	**-**
General governments	**15,950**	**128**	**(61)**	**0.8%**
Credit institutions	**5,276**	**4**	**(5)**	**0.1%**
Other financial corporations	**7,447**	**2**	**(5)**	**-**
Non-financial corporations	**75,745**	**4,684**	**(3,258)**	**6.2%**
Agriculture, forestry and fishing	1,254	57	(38)	4.5%
Mining and quarrying	1,722	27	(15)	1.6%
Manufacturing	17,262	651	(498)	3.8%
Electricity, gas, steam and air conditioning supply	6,293	77	(57)	1.2%
Water supply	1,020	19	(14)	1.9%
Construction	8,102	1,218	(789)	15.0%
Wholesale and retail trade	10,228	1,010	(692)	9.9%
Transport and storage	4,588	152	(103)	3.3%
Accommodation and food service activities	3,214	235	(114)	7.3%
Information and communications	3,277	98	(52)	3.0%
Financial and insurance activities	5,403	134	(104)	2.5%
Real estate activities	6,358	634	(431)	10.0%
Professional, scientific and technical activities	2,079	152	(120)	7.3%
Administrative and support service activities	1,800	88	(62)	4.9%
Public administration and defense, compulsory social security	198	4	(5)	2.0%
Education	211	22	(15)	10.4%
Human health services and social work activities	782	20	(15)	2.6%
Arts, entertainment and recreation	590	47	(29)	8.0%
Other services	1,364	39	(105)	2.9%
Households	**100,700**	**5,159**	**(2,509)**	**5.1%**
LOANS AND ADVANCES	**205,125**	**9,976**	**(5,840)**	**4.9%**

The changes during the years 2019 and 2018 of impaired financial assets and contingent risks are as follow:

Changes in impaired financial assets and contingent risks (Millions of Euros)		
	2019	**2018**
Balance at the beginning	**10,512**	**13,856**
Additions	2,689	2,709
Decreases (*)	(2,763)	(3,965)
Net additions	**(75)**	**(1,256)**
Transfers to write-off	(1,251)	(2,398)
Exchange differences and others (**)	(130)	310
Balance at the end	**9,054**	**10,512**
Recoveries on entries (%)	**103%**	**146%**

(*) The amount reflects the total amount of impaired loans derecognized from the balance sheet throughout the period as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries (see Note 19).

(**) In 2018 includes the balance of BBVA Portugal.

The changes in the year 2019 and 2018 in financial assets derecognized from the accompanying balance sheet as their recovery is considered unlikely ("write-offs"), is shown below:

Changes in Impaired financial assets written-off from the balance sheet (Millions of Euros)			
	Notes	**2019**	**2018**
Balance at the beginning		**24,484**	**23,090**
Increase		**1,856**	**3,468**
Assets of remote collectability		1,251	2,398
Past-due and not collected income		605	1,030
Contributions by mergers		-	40
Decrease		**(9,300)**	**(2,076)**
Re-financing or restructuring		(1)	(9)
Cash recovery	42	(791)	(469)
Foreclosed assets		(46)	(25)
Sales (*)		(7,400)	(625)
Debt forgiveness		(379)	(678)
Time-barred debt and other causes		(682)	(271)
Net exchange differences		**1**	**2**
Balance at the end		**17,042**	**24,484**

(*) Includes principal and interest.

As indicated in Note 2.1, although they have been derecognized from the balance sheet, the BBVA Group continues to attempt to collect on these written-off financial assets, until the rights to receive them are fully extinguished, either because it is time-barred financial asset, the financial asset is condoned, or other reasons.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

5.1.6 Loss allowances

Below are the changes in the year ended December 31, 2019 in the accumulated allowances and gross accounting balances recorded on the accompanying balance sheets to cover estimated loss allowances in loans and advances measured at amortized cost:

Changes in gross accounting balances of loans and advances at amortized cost. 2019 (Millions of Euros)	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Opening balance	**182,317**	**12,831**	**9,976**	**205,124**
Transfers of financial assets:	(3,605)	3,041	564	-
Transfers from stage 1 to Stage 2	(5,996)	5,996	-	-
Transfers from stage 2 to Stage 1	2,868	(2,868)	-	-
Transfers to Stage 3	(512)	(1,031)	1,543	-
Transfers from Stage 3	35	944	(979)	-
Net annual origination of financial assets	7,059	(1,267)	(701)	5,092
Becoming write-offs	-	-	(1,251)	(1,251)
Changes in model / methodology	-	-	-	-
Foreign exchange	194	5	-	199
Modifications that do not result in derecognition	-	-	-	-
Other	-	-	-	-
Closing balance	**185,965**	**14,609**	**8,589**	**209,164**

Changes in allowances of loans and advances at amortized cost. 2019 (Millions of Euros)	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Opening balance	**664**	**895**	**4,279**	**5,839**
Transfers of financial assets:	(26)	60	369	403
Transfers from stage 1 to Stage 2	(29)	145	-	116
Transfers from stage 2 to Stage 1	6	(123)	-	(117)
Transfers to Stage 3	(4)	(36)	525	485
Transfers from Stage 3	-	74	(156)	(82)
Net annual origination of allowances	11	(69)	451	393
Becoming write-offs	-	-	(1,004)	(1,004)
Changes in model / methodology	-	-	-	-
Foreign exchange	-	-	1	1
Modifications that do not result in derecognition	-	-	-	-
Other	18	(206)	(154)	(341)
Closing balance	**668**	**681**	**3,942**	**5,291**

Below are the changes in the years ended December 31, 2019 and 2018 in the accumulated allowances and gross accounting balances recorded on the accompanying balance sheets to cover estimated loss allowances in financial assets measured at amortized cost:

Changes in gross accounting balances of financial assets at amortized cost. 2018 (Millions of Euros)	Not credit-impaired						Credit-impaired					
	Stage 1		Stage 2				Credit-impaired (Stage 3)		Purchased/originated credit-impaired (Stage 3)		Total	
	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances (collectively assessed)	Gross carrying amount	Loss allowances (individually assessed)	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances
Opening balance	**203,451**	**825**	**11,168**	**877**	**2,160**	**123**	**13,244**	**5,963**	**-**	**-**	**230,023**	**7,788**
Transfers of financial assets:	(16,187)	(186)	(924)	(73)	(336)	(18)	51	1,441	-	-	(17,396)	1,164
Transfers from *Stage* 1 to *Stage* 2 (not credit-impaired)	(1,806)	(44)	1,478	311	-	3	-	-	-	-	(328)	270
Transfers from Stage 2 (not credit - impaired) to Stage 1	2,439	28	(2,409)	(294)	(259)	-	-	-	-	-	(229)	(266)
Transfers to Stage 3	(831)	(5)	(581)	(127)	(98)	(21)	1,451	458	-	-	(59)	305
Transfers from Stage 3 to Stage 1 or 2	436	1	851	117	68	20	(522)	(218)	-	-	833	(80)
Changes without transfers between Stages	(16,425)	(166)	(263)	(80)	(47)	(20)	(878)	1,201	-	-	(17,613)	935
New financial assets originated	22,431	241	906	143	46	51	-	-	-	-	23,383	435
Purchased	2,578	5	133	10	173	-	343	204	-	-	3,227	219
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Repayments	(10,244)	(195)	(359)	(109)	(19)	(19)	(1,151)	(824)	-	-	(11,773)	(1,147)
Write-offs	-	-	-	-	-	-	(2,398)	(2,398)	-	-	(2,398)	(2,398)
Changes in model/ methodology	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange	538	1	-	1	-	-	4	3	-	-	542	5
Modifications that result in derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Modifications that do not result in derecognition	-	-	-	1	-	-	-	289	-	-	-	290
Other	(571)	(17)	82	(79)	(22)	(8)	(117)	(399)	-	-	(628)	(503)
Closing balance	**201,996**	**674**	**11,006**	**771**	**2,002**	**129**	**9,976**	**4,279**	**-**	**-**	**224,980**	**5,853**

5.2. Market risk

5.2.1 Market risk in trading portfolios

Market risk originates in the possibility that there may be losses in the value of positions held due to movements in the market variables that impact the valuation of traded financial products and assets. The main risks can be classified as follows:

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

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

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

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

Most of the headings on the bank's balance sheet subject to market risk are positions whose main metric for measuring their market risk is VaR.

With respect to the risk measurement models used in BBVA, the Bank of Spain authorized the use of the internal model to determine bank capital requirements deriving from risk positions on BBVA's trading book.

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

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

VaR figures are estimated with the following methodologies:

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

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

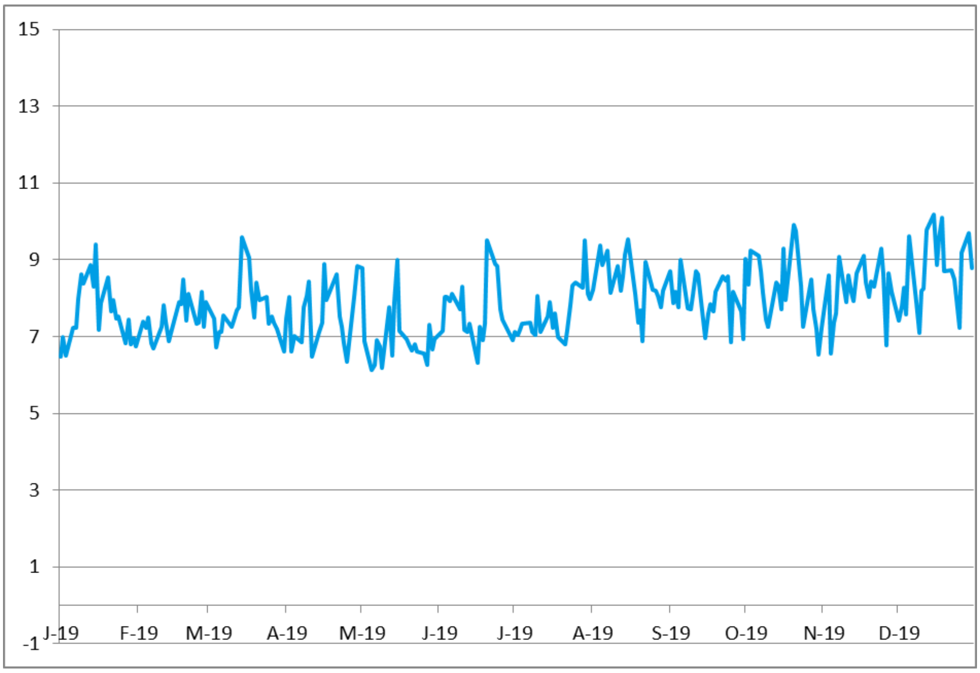
- VaR: In regulatory terms, the VaR charge incorporates the stressed VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the losses associated with the movements of the risk factors inherent to market operations (including interest-rate risk, exchange-rate risk, equity risk and credit risk, etc.). Both VaR and stressed VaR are rescaled by a regulatory multiplier set at three and by the square root of ten to calculate the capital charge.
- Specific Risk: Incremental Risk Capital ("IRC"). Quantification of the risks of default and downgrading of the credit rating of the bond and credit derivative positions in the portfolio. The IRC charge is exclusively applied in entities in respect of which the internal market risk model is used (i.e., BBVA, S.A. and BBVA Mexico). The IRC charge is determined based on the associated losses (calculated at 99.9% confidence level over a one year horizon under the hypothesis of constant risk) due to a rating change and/or default of the issuer with respect to an asset. In addition, the price risk is included in sovereign positions for the specified items.
- Specific Risk: Securitization and correlation portfolios. Capital charges for securitizations and correlation portfolios are assessed based on the potential losses associated with the rating level of a specific credit structure. They are calculated by the standard model. The scope of the correlation portfolios refers to the First To Default (FTD)-type market operation and/or tranches of market CDOs and only for positions with an active market and hedging capacity.

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

Market risk in 2019

The Bank's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly credit risk. This is due to the nature of the business. In 2019, the market risk of trading book increase versus the previous year and, in terms of VaR, stood at €9 million at the close of the period.

The average VaR for 2019 stood at €8 million, in comparison with the €9 million registered in 2018, with a high for the year on day December 16, 2019 at €10 million.



By type of market risk assumed by the Bank's trading portfolio, the main risk factor in BBVA at the end of 2019 is linked to the interest rates (this figure includes the spread risk) which represents a 47% of the total weight, increasing its relative weight compared to the year end 2018 (43%). The risk related to volatility and correlation accounts for 27% of the total weight at the end of 2019, with no significant changes compared to the year end 2018 (27%).

Exchange-rate risk accounts for 14% which represents a slight decrease on the figure 12 months prior (16%), while equity risk has decreased from 13%, at the end of 2018 to a 12% at the end of 2019.

Market risk by risk factor (Millions of euros)

	2019	2018
Interest + credit spread	12	8
Exchange rate	3	3
Equity	3	2
Volatility	7	5
Diversification effect (*)	(16)	(12)
Total	**9**	**7**
Average VaR	**8**	**9**
Maximum VaR	**10**	**12**
Minimum VaR	**6**	**6**

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

Validation of the internal market risk model

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

Two types of backtesting have been carried out in 2019 and 2018:

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

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

For the period between the year ended December 31, 2018 and the year ended December 31, 2019, the backtesting of the internal VaR calculation model was carried out, comparing the daily results obtained to the estimated risk level by the internal VaR calculation model. At the end of the year the comparison showed the internal VaR calculation model was working correctly, within the "green" zone (0-4 exceptions), thus validating the internal VaR calculation model, as has occurred each year since the internal market risk model was approved for the Group.

Stress testing

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

Historical scenarios

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

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

Simulated scenarios

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

The main features of this approach are: a) the generated simulations respect the correlation structure of the data, b) there is flexibility in the inclusion of new risk factors and c) it allows the introduction of a lot of variability in the simulations (desirable for considering extreme events).

5.2.2 Financial instruments offset

Financial assets and liabilities may be netted, i.e. they are presented for a net amount on the balance sheet only when the Bank complies with the provisions of Bank of Spain Circular 4/2017 and IAS 32-Paragraph 42, so they have both the legal right to net recognized amounts, and the intention of settling the net amount or of realizing the asset and simultaneously paying the liability.

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

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

Moreover, in transactions involving assets repurchase and reverse repurchase agreement there is a high volume transacted through clearing houses that articulate mechanisms to reduce counterparty risk, as well as through the signing of various master agreements for bilateral transactions, the most widely used being the Global Master Repurchase Agreement (GMRA), published by International Capital Market Association ("ICMA"), to which the clauses related to the collateral exchange are usually added within the text of the master agreement itself.

Finally, the Bank, in line with its strategy to actively reduce the counterparty risk, has established new settlement to market agreements with clearing houses which allows the daily liquidation of OTC market operations.

The assets and liabilities subject to contractual netting rights at the time of their settlement are presented below as of December 31, 2019 and 2018:

Assets and liabilities subject to contractual netting rights (Millions of Euros)

	2019						2018					
				Gross amounts not offset in the balance sheets (D)						Gross amounts not offset in the balance sheets (D)		
	Gross amounts recognized (A)	Gross amounts offset in the balance sheets (B)	Net amount presented in the balance sheets (C=A-B)	Financial instruments	Cash collateral received/ Pledged	Net amount (E=C-D)	Gross amounts recognized (A)	Gross amounts offset in the balance sheets (B)	Net amount presented in the balance sheets (C=A-B)	Financial instruments	Cash collateral received/ Pledged	Net amount (E=C-D)
Trading and hedging derivatives	36,329	2,388	33,941	25,260	7,721	960	47,787	16,480	31,308	24,737	6,609	(38)
Reverse repurchase, securities borrowing and similar agreements	33,260	-	33,260	32,994	204	62	27,347	-	27,347	27,384	169	(207)
Total assets	**69,589**	**2,388**	**67,201**	**58,254**	**7,926**	**1,021**	**75,134**	**16,480**	**58,655**	**52,121**	**6,778**	**(245)**
Trading and hedging derivatives	36,368	2,394	33,974	25,260	9,193	(479)	47,918	17,101	30,816	24,737	5,973	106
Repurchase, securities lending and similar agreements	33,584	-	33,584	32,936	420	229	32,887	-	32,888	32,745	34	109
Total liabilities	**69,952**	**2,394**	**67,559**	**58,196**	**9,612**	**(249)**	**80,805**	**17,101**	**63,704**	**57,481**	**6,007**	**215**

The amount of recognized financial instruments within derivatives includes the effect in case of compensation with counterparties with which the bank holds netting agreements, while, for repos, it reflects the market value of the collateral associated with the transaction.

5.3 Structural risk

The structural risks are defined, in general terms, as the possibility of sustaining losses due to adverse movements in market risk factors as a result of mismatches in the financial structure of an entity´s balance sheet.

In BBVA the following types of structural risks are defined, according to the nature and the following market factors: interest rate, exchange rate and equity.

The scope of structural risks in BBVA is limited to the banking book, excluding market risks in the trading book that are clearly delimited and separated and make up the Market Risks.

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

Global Risk Management (GRM) area acts as an independent unit, ensuring adequate separation between the management and risk control functions, and is responsible for ensuring that the structural risks in BBVA are managed according to the strategy approved by the Board of Directors.

Consequently, GRM deals with the identification, measurement, monitoring and control of those risks and their reporting to the corresponding corporate bodies. Through the Global Risk Management Committee (GRMC), it performs the function of control and risk assessment and is responsible for developing the strategies, policies, procedures and infrastructure necessary to identify, evaluate, measure and manage the significant risks that the BBVA Group faces. To this end, GRM, through the corporate unit of Structural Risks, proposes a scheme of limits and alerts that declines the risk appetite set for each of the relevant structural risk types, both at Bank level and by management units, which will be reviewed annually, reporting the situation periodically to BBVA's corporate bodies as well as to the GRMC.

In addition, both, the management as well as the control and measurement system of the structural risks need to be adjusted necessarily to BBVA's internal control model, complying therefore with the evaluation and certification processes included. In this regard, the required tasks and controls have been identified and documented which allows the Bank to dispose of a regulatory framework that includes precise processes and measures for structural risks with a global perspective from a geographical point of view.

BBVA's internal control model, which is based on the high standards, is included within the three lines of defense. Finance is the first line of defense being in charge of the structural risk management, whereas GRM is in charge of the identification of the risks and establishes policies and control models which are periodically evaluated with regard to their performance.

In the second line of defense are located Internal Risk Control, which independently reviews the structural risk controls, and one entity of Internal Financial Control which reviews the design and the effectiveness of the operating management controls.

Internal Audit, which works with total independence, represents the third line of defense and reviews specific controls and processes.

5.3.1 Structural interest rate risk

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

The exposure of a financial entity to adverse interest rates movements is a risk inherent to the development of the banking business, which is also, in turn, an opportunity to create economic value. Therefore, interest rate risk must be effectively managed so that it is limited in accordance with the entity's equity and in line with the expected economic result.

This function falls to the Global ALM (Asset & Liability Management) unit, within the Finance area, who, through ALCO, aims to guarantee the recurrence of results and preserve the solvency of the entity, always adhering to the risk profile defined by the management bodies of the BBVA Group. The interest rate risk management of the balance sheet aims to promote the stability of the net interest income and book value in the face of changes in the market interest rates, types in the different balance-sheets, while respecting solvency and internal limits, and complying with current and future regulatory requirements. Likewise, a specific monitoring of the banking book instruments registered at market value (fair value) is developed, which due to their accounting treatment have an impact on results and / or equity.

In this regard, BBVA maintains an exposure to fluctuations on interest rates according to its objective strategy and risk profile, being carried out in a decentralized and independent manner in each of the banking entities that compose its structural balance-sheet.

The management is carried out in accordance with the guidelines established by the European Banking Authority (EBA), with a monitoring of interest rate risk metrics, with the aim of analyzing the potential impact that could be derived from the range of scenarios in the different balance-sheets of the Group.

Nature of Interest Rate Risk

Repricing risk arises due to the difference between the repricing or maturity terms of the assets and liabilities, and represents the most frequent interest rate risk faced by financial entities. Notwithstanding, other sources of risk as changes in the slope and shape of the yield curve, the reference to different indexes and the optionality risk embedded in certain banking transactions, are also taken into account by the risk control system.

BBVA's structural interest-rate risk management process is formed from a set of metrics and tools that enables to properly monitor the risk profile of the Group, backed-up by an assumptions set that aims to characterize the behavioral of the balance sheet items with the maximum accuracy.

The IRRBB measurement is carried out on a monthly basis, and includes probabilistic measures based on methods of scenario simulation, which enables to capture additional sources of risk to the parallel shifts, as the changes in slope and shape of the yield curve. Besides, sensitivity analysis to multiple parallel shocks of different magnitude are also assessed on a regular basis. The process is run separately for each currency to which the Group is exposed, considering, at a later stage, the diversification effect among currencies and business units.

The risk measurement model is complemented by the assessment of ad-hoc scenarios and stress tests. As stress testing has become more relevant during the recent years, the evaluation of extreme scenarios of rupture of historical interest rates levels, correlations and volatility has continued to be enhanced, while assessing, also, BBVA Research market scenarios.

Key assumptions of the model

In order to measure structural interest rate risk, the setting of assumptions on the evolution and behavior of certain balance sheet items is particularly relevant, especially those related to products without an explicit or contractual maturity.

The assumptions that characterize these balance sheet items must be understandable for the areas and bodies involved in risk management and control and remain duly justified and documented. The modeling of these assumptions must be conceptually reasonable and consistent with the evidence based on historical experience, reviewed at least once a year.

In view of the heterogeneity of the financial markets and the availability of historical data, each one of the entities of the Group is responsible for determining the behavior assumptions to be applied to the balance sheet items, always under the guidelines and the applicability of the corporate models existing in the Group.

Among the balance sheet assumptions stand out those established for the treatment of items without contractual maturity, mainly for demand customer deposits, and those related to the expectations on the exercise of interest rate options, especially those relating to loans and deposits subject to prepayment risk.

For the modeling of demand deposits, a segmentation of the accounts in several categories is previously carried out depending on the characteristics of the customer (retail / wholesale) and the product (type of account / transactionality / remuneration), in order to outline the specific behavior of each segment.

In order to establish the remuneration of each segment, the relationship between the evolution of market interest rates and the interest rates of managed accounts is analyzed, with the aim of determining the translation dynamic (percentages and lags) of interest rates variations to the remuneration of the accounts.

The behavior assigned to each category of accounts is determined by an analysis of the historical evolution of the balances and the probability of cancellation of the accounts. For this, the volatile part of the balance assigned to a short-term maturity is isolated, thus avoiding fluctuations in the level of risk caused by specific variations in the balances and promoting stability in the management of the balance. Once the stable part is identified, a medium / long term maturity model is applied through a decay distribution based on the average term of the accounts and the conditional cancellation probabilities throughout the life of the product.

Additionally, the relationship of the evolution of the balance of deposits with the levels of market interest rates is taken into account, where appropriate, including the potential migration between the different types of deposits (on demand / time deposits) in the different interest rate scenarios.

Equally relevant is the treatment of early cancelation options embedded in credit loans, mortgage portfolios and customer deposits. The evolution of market interest rates may condition, along with other variables, the incentive that customers have to prepay loans or deposits, modifying the future behavior of the balance amounts with respect to the forecasted contractual maturity schedule.

The detailed analysis of the historical information related to prepayment data, both partial and total prepayment, combined with other variables such as interest rates, allows estimating future amortizations and, where appropriate, their behavior linked to the evolution of such variables.

The approval and updating of the risk behavior models of structural interest rate risk are subject to corporate governance under the scope of GRM-Analytics. In this way, the models must be properly inventoried and cataloged and comply with the requirements established in the internal procedures for their development, updating and management of the changes. The models are also subject to the corresponding internal validations based on their relevance and the established monitoring requirements.

In 2019 in Europe monetary policy has remained expansionary, implementing in the last part of the year a new package of measures to boost the economy and the financial system in response to a weaker global economic environment. This environment, coupled with uncertainty about trade policy and low inflation led the Federal Reserve of the United States to begin a process of interest rate cuts. Both monetary authorities, taking into account the recent signals regarding a stabilization of the economic growth, have not changed the interest rates during the last months. In Mexico and Turkey, a bearish cycle was initiated in the second half of the year due to economic weakness and inflation prospects. In South America, monetary policy has been expansive, with declines in the economies of Chile and Peru, caused by the slowdown of the activity and the contained inflation, while in Colombia interest rates have remained flat. On the other hand, in Argentina there is a restrictive monetary policy, with a strong increase in interest rates due to the strong volatility of the markets after the election result.

BBVA maintains, overall a positive sensitivity in its net interest income to an increase in interest rates. The higher net interest income sensitivities are observed in, particularly Euro and USD. In Europe, the decrease in interest rates is limited by current levels, preventing extremely adverse scenarios. The Group maintains a moderate risk profile, according to its target risk, through effective management of its balance sheet structural risk.

5.3.2 Structural equity risk

Structural equity risk refers to the possibility of suffering losses in the value of positions in shares and other equity instruments held in the banking book with long or medium term investment horizons due to fluctuations in the value of equity indexes or shares.

BBVA's exposure to structural equity risk arises largely from minority shareholdings held on industrial and financial companies. This exposure is modulated in some portfolios with positions held on derivative instruments on the same underlying assets, in order to adjust the portfolio sensitivity to potential changes in equity prices.

The management of structural equity portfolios is a responsibility of the Group's units specialized in this area. Their activity is subject to the risk management corporate policy on structural equity risk management, complying with the defined management principles and Risk Appetite Framework.

The structural equity risk metrics, designed by GRM according to the corporate model, contribute to the effective monitoring of the risk by estimating the sensitivity and the capital necessary to cover the possible unexpected losses due to changes in the value of the shareholdings in the Group's investment portfolio, with a level of confidence that corresponds to the objective rating of the entity, taking into account the liquidity of the positions and the statistical behavior of the assets to be considered

Stress tests and scenario analysis of sensitivity to different simulated scenarios are carried out periodically to analyze the risk profile in more depth. They are based on both past crisis situations and forecasts made by BBVA Research. These analyses are carried out regularly to assess the vulnerabilities of structural equity exposure not contemplated by the risk metrics and to serve as an additional tool when making management decisions.

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

With regard to the equity markets, the world indexes have closed the year 2019 with generalized gains and volatility moderation in a macro environment of global growth slowdown.

Structural equity risk, measured in terms of economic capital, has remained fairly stable in the period. The aggregate sensitivity of the BBVA Group's consolidated equity to a 1% fall in the price of shares of the companies making up the equity portfolio decreased to -€26 million as of December 31, 2019, compared to -€29 million of December 31, 2018. This estimation takes into account the exposure in shares valued at market prices, or if not applicable, at fair value (excluding the positions in the Treasury Area portfolios) and the net delta-equivalent positions in derivatives on the same underlyings.

5.4 Liquidity and Funding risk

Liquidity and Funding risk is defined as the incapacity of a bank in meeting its payment commitments for missing resources or that, to face those commitments, should have to make use of funding under burdensome terms.

5.4.1 Liquidity and Funding strategy and planning

BBVA is a financial institution whose business is focused mainly on retail and commercial banking activities. In addition to the retail business model, which forms the core of its business, the Group engages in corporate and investment banking, through the global CIB (Corporate & Investment Banking) division.

Liquidity and Funding risk management aims to maintain a solid balance sheet structure which allows a sustainable business. The Group's Funding and Liquidity strategy is based on the following pillars:

- The principle of the funding self-sufficiency of its subsidiaries, meaning that each of the Liquidity Management Units (LMUs) must cover its funding needs independently on the markets where it operates. This avoids possible contagion due to a crisis affecting one or more of the Group's LMUs.
- Stable customer deposits as the main source of funding in all the LMUs, in accordance with the Group's business model.
- Diversification of the sources of wholesale funding, in terms of maturity, market, instruments, counterparties and currencies, with recurring access to the markets.
- Compliance with regulatory requirements, ensuring the availability of ample liquidity buffers, as well as sufficient instruments as required by regulations with the capacity to absorb losses.
- Compliance with the internal Liquidity Risk and Funding metrics, while adhering to the Risk Appetite level established for each LMU at any time.

Liquidity and funding risk management aims to ensure that in the short term a bank does not have any difficulties in meeting its payment commitments in due time and form, and that it does not have to make use of funding under burdensome terms, or conditions that deteriorate its image or reputation

In the medium term the aim is to ensure that the Group's financing structure is ideal and that it is moving in the right direction with respect to the economic situation, the markets and regulatory changes.

This management of structural and liquidity funding is based on the principle of financial self-sufficiency of the entities that make it up. This approach helps prevent and limit liquidity risk by reducing the Bank's vulnerability during periods of high risk. This decentralized management prevents possible contagion from a crisis affecting only one or a few Group entities, which must act independently to meet their liquidity requirements in the markets where they operate.

As one aspect of this strategy, BBVA is organized into eleven LMUs composed of the parent and the banking subsidiaries in each geographical area, plus the independent branches.

In addition, the policy for managing liquidity and funding risk is also based on the model's robustness and on the planning and integration of risk management into the budgeting process of each LMU, according to the appetite for funding risk it decides to assume in its business.

Liquidity and Funding planning is drawn up as part of the strategic processes for the Bank's budgetary and business planning. It allows a recurring growth of the banking business with suitable maturities and costs within the established risk tolerance levels by using a wide range of instruments which allow the diversification of the funding sources and the maintenance of a high volume of available liquid assets.

5.4.2 Governance and monitoring

The responsibility for Liquidity and Funding management in normal business activity lies with the Finance area as a first line of defense in managing the risks inherent to this activity, in accordance with the principles established by the European Banking Authority EBA and in line with the standards, policies, procedures and controls in the framework established by the governing bodies. The Finance department, through the Balance-Sheet Management area, plans and executes the funding of the structural long-term gap of each LMU and proposes to the Assets and Liabilities Committee (ALCO) the actions to be taken on this matter, in accordance with the policies and limits established by the Executive Committee (EC).

Finance, in its regulatory liquidity reporting function, coordinates the processes necessary to meet any requirements that may be generated at corporate and regulatory level, with the areas responsible for this reporting in each LMU, thereby monitoring the integrity of the information supplied.

The corporate Global Risk Management (GRM) area is as a second line of defense responsible for ensuring that liquidity and funding risk in the Bank is managed according to the strategy approved by the Board of Directors. It is also responsible for identifying, measuring, monitoring and controlling those risks and reporting to the proper corporate governing bodies. To carry out this work adequately, the risk function in the Group has been set up as a single, global function that is independent of the management areas.

In addition, the Bank has an Internal Risk Control unit that conducts an independent review of Liquidity and Funding Risk control and management, independently of the functions performed in this area by Internal Audit.

As a third line of defense in the Bank's internal control model, Internal Audit is in charge of reviewing specific controls and processes in accordance with an annual work plan.

The Bank's fundamental objectives regarding the liquidity and funding risk are determined through the Liquidity Coverage Ratio (LCR) and through the Loan-to-Stable Customer Deposits (LtSCD) ratio.

The LCR ratio is a regulatory metric that aims to guarantee the resilience of entities in a scenario of liquidity tension within a time horizon of 30 days. Within its risk appetite framework and system of limits and alerts, BBVA has established a required LCR compliance level for the entire Group and for each individual LMU. The required internal levels aim to comply efficiently and sufficiently in advance with the implementation of the 2018 regulatory requirement at a level above 100%.

The LtSCD ratio measures the relationship between net lending and stable customer funds. The aim is to preserve a stable funding structure in the medium term for each LMU making up BBVA Group, taking into account that maintaining an adequate volume of stable customer funds is key to achieving a sound liquidity profile. In geographical areas with balance sheets with two currencies, the indicator is also controlled by currency to manage the mismatches that might occur.

As stable customer funds can be considered those which the LMUs are obtaining and managing from their target customers. Those funds are characterized by their low sensitivity to market changes and by their less volatile behavior at aggregated level per operation due to the loyalty of the customer to the entity. The stable resources are calculated by applying to each identified customer segment a haircut determined by the analysis of the stability if the balances by which different aspects are evaluated (concentration, stability, level of loyalty). The main source of stable resources represents the both wholesale funding and retail customer funds.

In order to establish the target (maximum) levels of LtSCD in each LMU and provide an optimal funding structure reference in terms of risk appetite, the corporate Structural Risks unit of GRM identifies and assesses the economic and financial variables that condition the funding structures in the different geographical areas.

Additionally, liquidity and funding risk management aims to achieve a proper diversification of the funding structure, avoiding excessive reliance on short-term funding by establishing a maximum level for the short-term funds raised, including both wholesale funding and customer funds. The residual maturity profile of long-term wholesale funding has no significant concentrations, which matches the schedule of planned issues to the best possible financial conditions of markets, as shown in the table below. Finally, concentration risk is monitored at LMU level, with the aim of ensuring a correct diversification of both the counterparty and type of instrument.

One of the fundamental metrics within the general management framework of the liquidity and funding risk is the maintaining of a liquidity buffer consisting of high quality assets free of charges which can be sold or offered as guarantees to obtain funding, either under normal market conditions or in stress situations.

Finance is the area responsible for the collateral management and the determining of the liquidity buffer within BBVA Group. According to the principle of auto-sufficiency of the subsidiaries, every LMU is responsible for the holding of a buffer of liquid assets which comply with the regulatory requirements applicable under each jurisdiction. In addition, the liquidity buffer of each LMU should be aligned with the liquidity and funding risk tolerance as well as the management limits set and approved for each case.

In this context, the short-term resistance of the liquidity risk profile is promoted, guaranteeing that each LMU has sufficient collateral to deal with the risk of the close of wholesale markets. Basic capacity is the short-term liquidity risk management and control metric that is defined as the relationship between the available explicit assets and the maturities of wholesale liabilities and volatile funds, at different terms up to one year, with special relevance being given to 30-day 90-day maturities, in order to maintain the survivability period above the 3 months with the available buffer, not taking into consideration the inflows of the balance sheet.

Stress tests are carried out as a fundamental element of the liquidity and funding risk monitoring scheme. They enable deviations from the liquidity targets and limits set in the appetite to be anticipated, and establish tolerance ranges in the different management areas. They also play a major role in the design of the Liquidity Contingency Plan and the definition of specific measures to be adopted to rectify the risk profile if necessary.

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

The stress tests conducted on a regular basis reveal that BBVA maintains a sufficient buffer of liquid assets to deal with the estimated liquidity outflows in a scenario resulting from the combination of a systemic crisis and an unexpected internal crisis, during a period of longer than 3 months in general for the different LMUs, including in the scenario a significant downgrade of the Bank's rating by up to three notches.

Together with the results of the stress tests and the risk metrics, the early warning indicators play an important role within the corporate model and the Liquidity Contingency Plan. They are mainly indicators of the funding structure, in relation to asset encumbrance, counterparty concentration, flights of customer deposits, unexpected use of credit facilities, and of the market, which help anticipate possible risks and capture market expectations.

Finance is the area responsible for the elaboration, monitoring, execution and update of the liquidity and funding plan and of the market access strategy to guarantee and improve the stability and diversification of the wholesale funding sources.

In order to implement and establish an anticipated management, limits are set on an annual basis for the main management metrics that form part of the budgeting process for the liquidity and funding plan. This framework of limits contributes to the planning of the joint future performance of:

- The loan book, considering the types of assets and their degree of liquidity, as well as their validity as collateral in collateralized funding.
- Stable customer funds, based on the application of a methodology for establishing which segments and customer balances are considered to be stable or volatile funds based on the principle of sustainability and recurrence of these funds.
- Projection of the credit gap, in order to require a degree of self-funding that is defined in terms of the difference between the loan-book and stable customer funds.
- Incorporating the planning of securities portfolios into the banking book, which include both fixed-interest and equity securities, and are classified as financial assets at fair value through other comprehensive income and at amortized cost and additionally on trading portfolios.
- The structural gap projection, as a result of assessing the funding needs generated both from the credit gap and by the securities portfolio in the banking book, together with the rest of on-balance-sheet wholesale funding needs, excluding trading portfolios. This gap therefore needs to be funded with customer funds that are not considered stable or on wholesale markets.

As a result of these funding needs, BBVA Group plans the target wholesale funding structure according to the tolerance set in each LMU target.

Thus, once the structural gap has been identified and after resorting to wholesale markets, the amount and composition of wholesale structural funding is established in subsequent years, in order to maintain a diversified funding mix and guarantee that there is not a high reliance on short-term funding (short-term wholesale funding plus volatile customer funds).

In practice, the execution of the principles of planning and self-funding at the different LMUs results in the Group's main source of funding being customer deposits, which consist mainly of demand deposits, savings deposits and time deposits.

As sources of funding, customer deposits are complemented by access to the interbank market and the domestic and international capital markets in order to address additional liquidity requirements, implementing domestic and international programs for the issuance of commercial paper and medium and long-term debt.

The process of analysis and assessment of the liquidity and funding situation and of the inherent risks is a process carried out on an ongoing basis in BBVA Group, with the participation of all the Group areas involved in liquidity and funding risk management. This process is carried out at both local and corporate level. It is incorporated into the decision- making process for liquidity and funding management, with integration between the risk appetite strategy and establishment and the planning process, the funding plan and the limits scheme.

The table below shows the liquidity available by instrument as of December 31, 2019 and 2018 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

December 2019 (Millions of Euros)

	Eurozone
Cash and withdrawable central bank reserves	14,516
Level 1 tradable assets	41,961
Level 2A tradable assets	403
Level 2B tradable assets	5,196
Other tradable assets	22,213
Non tradable assets eligible for central banks	-
Cumulated Counterbalancing Capacity	**84,288**

December 2018 (Millions of Euros)

	Eurozone (1)
Cash and withdrawable central bank reserves	26,506
Level 1 tradable assets	29,938
Level 2A tradable assets	449
Level 2B tradable assets	4,040
Other tradable assets (*)	8,772
Non tradable assets eligible for central banks	-
Cumulated counterbalancing capacity	**69,705**

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

(*) The balance has been reexpressed including the available funding in the European Central Bank (ECB)

The Net Stable Funding Ratio (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, is one of the Basel Committee's essential reforms, and requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance-sheet activities. This ratio should be at least 100% at all times.

The NSFR of BBVA in the Eurozone at December 31, 2019, calculated based on the Basel requirements, is 113%.

Below is a breakdown by contractual maturity of the balances of certain headings in the accompanying balance sheets, excluding any valuation adjustments or loss allowances:

December 2019. Contractual Maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	14,803	2,406	-	-	-	-	-	-	-	-	17,209
Deposits in credit entities	-	808	100	346	458	460	157	1	115	33	2,478
Deposits in other financial institutions	-	777	375	350	278	701	475	414	205	2,367	5,941
Reverse repo, securities borrowing and margin lending	-	18,661	3,858	2,259	290	808	4,121	1,838	411	803	33,050
Loans and Advances	-	12,047	9,527	11,694	6,628	7,908	18,363	15,572	26,328	75,147	183,216
Securities' portfolio settlement	-	446	1,918	979	1,022	5,188	15,242	1,323	5,728	30,537	62,384

December 2019. Contractual Maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	-	645	298	2,347	543	2,919	4,688	6,403	7,722	18,737	44,304
Deposits in financial institutions	1,853	6,358	183	32	-	130	56	36	101	465	9,214
Deposits in other financial institutions and international agencies	9,082	2,816	565	167	86	175	485	320	497	3,706	17,898
Customer deposits	145,424	10,844	9,434	4,688	3,592	3,377	2,213	1,275	361	625	181,833
Security pledge funding	-	31,999	3,072	15,803	946	637	3,094	7,097	207	1,114	63,969
Derivatives, net	-	(37)	14	(35)	(12)	(18)	(119)	(85)	6	(411)	(696)

December 2018. Contractual Maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	4,480	25,531	-	-	-	-	-	-	-	-	30,011
Deposits in credit entities	-	53	49	20	4	16	21	156	5	414	738
Deposits in other financial institutions	-	998	220	65	61	150	1,076	350	860	2,705	6,487
Reverse repo, securities borrowing and margin lending	-	20,992	1,655	1,158	805	498	184	1,352	390	210	27,244
Loans and Advances	957	9,511	9,780	8,949	6,724	7,042	19,407	14,849	24,189	77,683	179,091
Securities' portfolio settlement	-	883	3,158	1,528	1,329	6,258	2,883	6,771	2,461	28,922	54,194

December 2018. Contractual Maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	-	1,935	266	116	51	263	3,302	4,618	10,884	17,849	39,285
Deposits in financial institutions	2,059	4,055	259	54	94	116	178	5	85	661	7,567
Deposits in other financial institutions and international agencies	8,700	3,221	783	26	16	40	45	16	443	837	14,128
Customer deposits	139,300	11,386	6,889	5,655	3,689	4,273	2,843	1,419	464	928	176,845
Security pledge funding	-	34,700	2,139	2,270	112	35	22,765	374	130	1,491	64,017
Derivatives, net	-	(74)	(495)	(86)	6	84	176	(1)	(49)	(500)	(939)

The matrix shows the retail nature of the funding structure, with a loan portfolio being mostly funded by customer deposits. On the outflows side of the matrix, the "demand" maturity bucket mainly contains the retail customer sight accounts whose behavior historically showed a high level of stability and little concentration. According to a behavior analysis which is done every year in every entity, this type of account is considered to be stable and for liquidity risk purposes receive a better treatment.

In the Euro Liquidity Management Unit (LMU) liquidity, and funding situation maintains solid and comfortable with a slightly increase of the credit gap in 2019. During 2019, BBVA, S.A. made 7 issues in the public market for €5,750 million and USD 1,000 million; two issues of Senior Non Preferred ("SNP") at 5 years for €1,000 million each and another one at 7 years for €1,000 million; an issue T2 at 10 years with early amortization option after the fifth year for €750 million; two AT1 issues for €1,000 million and USD 1,000 million each with early amortization option after five and a half years for the first and 5 years for the second ; a Senior Preferred issue at 7 years for €1,000 million.

5.4.3 Asset encumbrance

As of December 31, 2019 and 2018, the encumbered (given as collateral for certain liabilities) and unencumbered assets ate broken down as follows:

December 2019 (Millions of euros)

	Encumbered assets		Unencumbered assets	
	Book value	Market value	Book value	Market value
Equity instruments	3,526	3,526	6,758	6,758
Debt Securities	14,780	15,048	40,214	39,946
Other assets	55,229	-	288,131	-

December 2018 (Millions of euros)	Encumbered assets		Unencumbered assets	
	Book value	Market value	Book value	Market value
Equity instruments	1,864	1,864	5,406	5,406
Debt Securities	18,697	18,668	30,001	30,030
Other assets	60,683	-	283,289	-

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 20) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments correspond to underlying that are delivered in repos with different types of counterparties, mainly clearing houses or credit institutions, and to a lesser extent central banks. Collateral provided to guarantee derivative operations is also included as committed assets.

As of December 31, 2019 and 2018, collateral pledge mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

December 2019. Collateral received (Millions of euros)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of collateral received or own debt securities issued not available for encumbrance
Collateral received	**35,258**	**7,091**	**-**
Equity instruments	44	70	-
Debt securities	35,214	7,021	-
Other collateral received	-		-
Own debt securities issued other than own covered bonds or ABSs	-	**82**	-

December 2018. Collateral received (Millions of euros)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of collateral received or own debt securities issued not available for encumbrance
Collateral received	**25,581**	**5,305**	**-**
Equity instruments	79	82	-
Debt securities	25,502	5,223	-
Other collateral received	-	-	-
Own debt securities issued other than own covered bonds or ABSs	**78**	**87**	**-**

As of December 31, 2019 and 2018, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

December 2019. Sources of encumbrance (Millions of euros)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities	**96,730**	**105,051**
Derivatives	15,449	15,355
Deposits	64,267	68,759
Debt securities issued	17,014	20,936
Other sources	**231**	**3,742**

December 2018. Sources of encumbrance (Millions of euros)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities	**90,721**	**102,436**
Derivatives	6,894	6,988
Loans and Advances	65,784	74,148
Outstanding subordinated debt	18,043	21,300
Other sources	**3,707**	**3,707**

5.5 Legal risk factors

The financial sector is exposed to increasing litigation, so the financial institutions face a large number of proceedings of every kind, civil, criminal, administrative, litigation, as well as investigations from the supervisor or other governmental authorities, along several jurisdictions, which consequences are difficult to determine (including those procedures in which an undetermined number of applicants is involved, in which damages claimed are not easy to estimate, in which an exorbitant amount is claimed, in which new jurisdictional issues are introduced under creative non – contrasted legal arguments and those which are at a very initial stage).

In Spain, in many of the existing procedures, applicant's claim, both at Spanish courts and through preliminary rulings towards the European Union Court of Justice that various clauses usually included under a mortgage loan with credit institutions are stated abusive (including mortgage fees clauses, early redemption right clause, referenced interest rate type and opening fee).

In particular, with regards to consumer mortgage loan agreements linked to the mortgage loan reference index (Índice de Referencia de los Préstamos Hipotecarios — mortgage loan reference index) (IRPH), which is the average interest rate calculated by the Bank of Spain and published in the Official Spanish Gazette (Boletín Oficial del Estado) for mortgage loans of more than three years for freehold housing purchases granted by Spanish credit institutions and which is considered the "official interest rate" by mortgage transparency regulations, on 14th December, 2017 the Spanish Supreme Court, in its Ruling No 669/2017 (the Ruling), held that it was not possible to determine that a loan's interest rate was not transparent simply due to it making reference to one official rate or another, nor can its terms then be confirmed as unfair under the provisions of Directive 93/13/EEC of 5th April, 1993. As of the date of this Annual Report, a preliminary ruling is pending in which the Ruling is being challenged before the Court of Justice of the European Union. BBVA considers that the Ruling is clear and well founded.

On 10th September, 2019, the Advocate General of the Court of Justice of the European Union issued a report on this matter.

In that report, the Advocate General of the Court of Justice of the European Union concluded that the bank to which the preliminary ruling relates (Bankia, S.A.) complied with the requirement of transparency imposed by the applicable European regulation. The Advocate General also indicated that it is for the national courts to carry out the checks they consider necessary in order to analyze compliance with the applicable transparency obligations in each individual case.

The Advocate General's report does not bind the decision which the Court of Justice of the European Union may take finally on this matter in the future.

It is therefore necessary to await the Court of Justice of the European Union's ruling on the matter referred in the preliminary ruling in order to determine whether it may have any effect on BBVA.

The impact of any potential unfavorable ruling by the Court of Justice of the European Union is difficult to predict at this time, but could be material. The impact of such a resolution may vary depending on matters such as (i) the decision of the Court of Justice of the European Union on what interest rate should be applied to the applicable loans; and (ii) whether the effects of the judgment are applied retroactively. According to the latest available information, the amount of mortgage loans to individuals linked to IRPH and up to date with the payment is approximately €2,800 million.

In addition, there are also claims before the Spanish courts challenging the application of certain interest rates and other mandatory rules to certain revolving credit card agreements. The resolutions in this type of proceedings against the Group or other banking entities may directly or indirectly affect the Group.

The Group is involved in several competition investigations and other legal actions related to competition initiated by third parties in various countries which may give raise to penalties and claims by third parties.

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

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

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

6. Fair value of financial instruments

Framework and processes control

As part of the process established in the Group for determining the fair value in order to ensure that financial assets and liabilities are properly valued, BBVA has established, at a geographic level, a structure of Risk Operational Admission and Product Governance Committees responsible for validating and approving new products or types of financial assets and liabilities before being contracted. Local management responsible for valuation, which are independent from the business (see Management Report - Risk), are members of these committees.

These areas are required to ensure, prior to the approval stage, the existence of not only technical and human resources, but also adequate informational sources to measure the fair value of these financial assets and liabilities, in accordance with the rules established by the valuation global area and using models that have been validated and approved by the responsible areas.

Fair value hierarchy

The fair value of financial instruments is commonly defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (market-based measurement).

All financial instruments, both assets and liabilities are initially recognized at fair value, which at that point is equivalent to the transaction price, unless there is evidence to the contrary in the market. Subsequently, depending on the type of financial instrument, it may continue to be recognized at amortized cost or fair value through adjustments in the income statement or equity.

When possible, the fair value is determined as the market price of a financial instrument. However, for many of the financial assets and liabilities of the Bank, especially in the case of derivatives, there is no market price available, so its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or, in the absence thereof, by using mathematical measurement models that are sufficiently tried and trusted by the international financial community. The estimates of the fair value derived from the use of such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with such asset or liability. However, the limitations inherent in the measurement models and possible inaccuracies in the assumptions and parameters required by these models may mean that the estimated fair value of an asset or liability does not exactly match the price for which the asset or liability could be exchanged or settled on the date of its measurement.

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

The process for determining the fair value requires the classification of the financial assets and liabilities according to the measurement processes used as set forth below:

- Level 1: Valuation using directly the quotation of the instrument, observable and readily and regularly available from independent price sources and referenced to active markets that the entity can access at the measurement date. The instruments classified within this level are fixed-income securities, equity instruments and certain derivatives.
- Level 2: Valuation of financial instruments with commonly accepted techniques that use inputs obtained from observable data in markets.
- Level 3: Valuation of financial instruments with valuation techniques that use significant unobservable inputs in the market. As of December 31, 2019, the affected instruments at fair value accounted for approximately 0.60% of financial assets and 0.20% of the Bank's financial liabilities. Model selection and validation is undertaken by control areas outside the business areas.

6.1. Fair value of financial instruments

The fair value of the Bank's financial instruments in the accompanying balance sheets and its corresponding carrying amounts as of December 31, 2019 and 2018 are presented below:

Fair value and carrying amount (Millions of Euros)

	Notes	2019		2018	
		Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Cash, cash balances at central banks and other demand deposits	7	18,419	18,419	30,922	30,922
Financial assets held for trading	8	84,842	84,842	75,210	75,210
Non-trading financial assets mandatorily at fair value through profit or loss	9	855	855	1,726	1,726
Financial assets designated at fair value through profit or loss	10	-	-	-	-
Financial assets at fair value through other comprehensive income	11	24,905	24,905	19,273	19,273
Financial assets at amortized cost	12	225,369	226,475	219,127	220,281
Hedging derivatives	13	953	953	1,090	1,090
LIABILITIES					
Financial liabilities held for trading	8	74,364	74,364	68,242	68,242
Financial liabilities designated at fair value through profit or loss	9	2,968	2,968	1,746	1,746
Financial liabilities at amortized cost	20	285,260	287,411	283,157	284,016
Hedging derivatives	13	1,471	1,471	1,068	1,068

Not all financial assets and liabilities are recorded at fair value, so below we provide the information on financial instruments recorded at fair value and subsequently the information of those recorded at amortized cost (including their fair value), although this value is not used when accounting for these instruments.

6.1.1. Fair value of financial instruments recognized at fair value, according to valuation criteria

Below are the different elements used in the valuation technique of financial instruments.

Active Market

BBVA considers active market as "a market that allows the observation of bid and offer prices representative of the levels to which the market participants are willing to negotiate an asset, with sufficient frequency and volume".

By default, BBVA would consider all internally approved "Organized Markets" as active markets, without considering this an unchangeable list.

Furthermore, BBVA would consider as traded in an "Organized Market" quotations for assets or liabilities from Over The Counter (OTC) markets when they are obtained from independent sources, observable on a daily basis and fulfil certain conditions.

The following table shows the financial instruments carried at fair value in the accompanying balance sheets, broken down by the valuation technique used to determine their fair value as of December 31, 2019 and 2018:

Fair value of financial instruments by levels (Millions of Euros)

	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading	**19,299**	**64,242**	**1,301**	**16,846**	**58,189**	**176**
Loans and advances	-	32,250	1,186	-	28,690	-
Debt securities	9,214	972	27	9,915	1,491	47
Equity instruments	8,146	-	59	4,790	-	59
Derivatives	1,939	31,020	29	2,141	28,007	69
Non-trading financial assets mandatorily at fair value through profit or loss	**71**	**54**	**730**	**133**	**34**	**1,559**
Loans and advances	-	-	602	-	-	1,376
Debt securities	-	53	75	-	27	124
Equity instruments	71	1	53	133	8	59
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	**24,122**	**680**	**104**	**18,768**	**482**	**23**
Loans and advances	-	-	-	-	-	-
Debt securities	22,464	602	91	16,815	429	10
Equity instruments	1,658	78	13	1,953	53	13
Hedging derivatives	**-**	**953**	**-**	**-**	**1,090**	**-**
LIABILITIES						
Financial liabilities held for trading	**12,050**	**61,634**	**679**	**11,689**	**56,445**	**108**
Deposits	-	31,255	649	-	29,259	-
Trading derivatives	2,095	30,379	30	2,455	27,185	108
Other financial liabilities	9,955	1	-	9,235	-	-
Financial liabilities designated at fair value through profit or loss	**-**	**2,915**	**53**	**-**	**1,746**	**-**
Customer deposits	-	2,915	53	-	1,746	-
Debt certificates	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
Derivatives – Hedge accounting	**-**	**1,471**	**-**	**-**	**1,068**	**-**

The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2019:

December 2019. Fair Value of financial Instruments by Levels (Millions of euros).

	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS					
Financial assets held for trading	**64,242**	**1,301**			
Loans and advances	32,250	1,186	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Current market interest rates - Funding interest rates observed in the market or in consensus services - Exchange rates	- Prepayment rates - Issuer´s credit risk - Recovery rates - Funding interest rates not observed in the market or in consensus services
Debt securities	972	27	Present-value method (Discounted future cash flows) Observed prices in non-active markets	- Issuer´s credit risk - Current market interest rates - Non active markets prices	- Prepayment rates - Issuer´s credit risk - Recovery rates
Equity instruments	-	59	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV not published
Derivatives	31,020	29			
Interest rate			Interest rate products (Interest rate Swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White, SABR y LGM Other Interest rate Options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - interest rates volatility
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Black, Momentum adjustment and Heston		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black, Local volatility, moments adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and discounted cash flows		
Non-trading financial assets mandatorily at fair value through profit or loss	**54**	**730**			
Loans and advances	-	602	Specific liquidation criteria regarding losses of the EPA proceedings PD and LGD of the internal models, valuations and specific criteria of the EPA proceedings	- Issuer credit risk - Current market interest rates - Interest rates for the financing of assets - Exchange rates	- Property valuation
Debt securities	53	75	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	1	53	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Financial assets at fair value through other comprehensive income	**680**	**104**			
Debt securities	602	91	Present-value method (Discounted future cash flows) Observed prices in non-active markets	- Issuer´s credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	78	13	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Hedging derivatives	**953**	-			
Interest rate			Interest rate products (Interest rate Swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Black, Momentum adjustment and Heston		
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black, Local volatility, moments adjustment		
Credit			Credit Derivatives: Default model and Gaussian copula		
Commodities			Commodities: Momentum adjustment and Discounted cash flows		

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

December 2019. Fair Value of financial Instruments by Levels (Millions of euros).

			Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES					
Financial liabilities held for trading	**61,634**	**679**			
Deposits	31,255	649	Present-value method (Discounted future cash flows)	- Interest rate yield - Funding interest rates observed in the market or in consensus services - Exchange rates	-Funding interest rates not observed in the market or in consensus services
Derivatives	30,379	30			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Correlation between tenors - Interest rates volatility
Equity			Future and equity forward: Discounted future cash flows Equity options: Local volatility, momentum adjustment		- Volatility of volatility - Assets correlation
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black, Local volatility, moments adjustment		- Volatility of volatility - Assets correlation
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and Discounted cash flows		
Financial liabilities designated at fair value through profit or loss	**2,915**	**53**	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer´s credit risk - Current market interest rates	- Prepayment rates - Issuer´s credit risk - Current market interest rates
Derivatives – Hedge accounting	**1,471**	-			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - interest rates volatility
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Black, Momentum adjustment and Heston		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black, Local volatility, moments adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit			Credit derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and discounted cash flows		

Main valuation techniques

The main techniques used for the assessment of the majority of the financial instruments classified in Level 3, and its main unobservable inputs, are described below:

- The net present value (net present value method): This technique uses the future cash flows of each financial instrument, which are established in the different contracts, and discounted to their present value. This technique often includes many observable inputs, but may also include unobservable inputs, as described below:
  - Credit Spread: This input represents the difference in yield of a debt security and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that debt security. Therefore, the credit spread of the debt security is part of the discount rate used to calculate the present value of the future cash flows.
  - Recovery rate: This input represents the percentage of principal and interest recovered from a debt instrument that has defaulted.
- Comparable prices (similar asset prices): This input represents the prices of comparable financial instruments and benchmarks used to calculate a reference yield based on relative movements from the entry price or current market levels. Further adjustments to account for differences that may exist between financial instrument being valued and the comparable financial instrument may be added. It can also be assumed that the price of the financial instrument is equivalent to the comparable instrument.
- Net asset value: This input represents the total value of the financial assets and liabilities of a fund and is published by the fund manager thereof.
- Gaussian copula: This model is used to integrate default probabilities of credit instruments referenced to more than one underlying CDS. The joint density function used to value the instrument is constructed by using a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.
- Black 76: variant of Black Scholes model, whose main application is the valuation of bond options, cap floors and swaptions where the behavior of the Forward and not the Spot itself, is directly modeled.
- Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk free interest rate. Under this assumption, the price of vanilla options can be obtained analytically, so that inverting the Black- Scholes formula, the implied volatility for process of the price can be calculated.
- Heston: This model, typically applied to equity OTC options, assumes stochastic behavior of volatility. According to which, the volatility follows a process that reverts to a long-term level and is correlated with the underlying equity instrument. As opposed to local volatility models, in which the volatility evolves deterministically, the Heston model is more flexible, allowing it to be similar to that observed in the short term today.
- Libor market model: This model assumes that the dynamics of the interest rate curve can be modeled based on the set of forward contracts that compose the underlying interest rate. The correlation matrix is parameterized on the assumption that the correlation between any two forward contracts decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The input "Credit default volatility" is a volatility input of the credit factor dynamic. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve, including interest rate option.
- Local Volatility: In the local volatility models of the volatility, instead of being static, evolves over time according to the level of moneyness of the underlying, capturing the existence of smiles. These models are appropriate for pricing path dependent options when use Monte Carlo simulation technique is used.

Adjustments to the valuation for risk of default

Under Circular 4/2017 the credit risk valuation adjustments must be considered in the classification of assets and liabilities within fair value hierarchy, because of the absence of observable data of probabilities of default and recoveries used in the calculation.

These adjustments are calculated by estimating Exposure At Default, Probability of Default and Loss Given Default, which are based on the recovery levels for all derivative products on any instrument, deposits and repos at the legal entity level (all counterparties under a same ISDA / CMOF), in which BBVA has exposure.

The credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are a part of derivative instrument valuations, both financial assets and liabilities, to reflect the impact in the fair value of the credit risk of the counterparty and BBVA, respectively.

As a general rule, the calculation of CVA is done through simulations of market and credit variables to calculate the expected positive exposure, given the Exposure at Default and multiplying the result by the Loss Given Default of the counterparty. Consequently, the DVA is calculated as the result of the expected negative exposure given the Exposure at Default and multiplying the result by the Loss Given Default of the counterparty. Both calculations are performed throughout the entire period of potential exposure.

The information needed to calculate the exposure at default and the loss given default come from the credit markets (Credit Default Swaps or iTraxx Indexes), where rating is available. For those cases where the rating is not available, BBVA implements a mapping process based on the sector, rating and geography to assign probabilities of both probability of default and loss given default, calibrated directly to market or with an adjustment market factor for the probability of default and the historical expected loss.

The amounts recognized in the balance sheet as of December 31, 2019 and 2018 related to the valuation adjustments to the credit assessment of the derivative asset as “Credit Valuation Adjustments” (“CVA”) was €-81 million and €-138 million respectively, and the valuation adjustments to the derivative liabilities as “Debit Valuation Adjustment” (DVA) was €64 million and €110 million respectively . The impact recorded under “Gains or (-) losses on financial assets and liabilities held for trading, net” in the income statement as of December, 2019 and 2018 corresponding to the mentioned adjustments was a net impact of €11 million and €-28 million respectively.

As a result of the value variations of the inherent credit risk, which is included in the deposits classified as liabilities designated at fair value through profit and loss, the amount recognized in “Accumulated other comprehensive income” has amounted to €-33 million and €99 million as of December 31, 2019 and 2018, respectively.

Additionally, as of December, 2019 and 2018, €-8 and €-12 million related to the “Funding Valuation Adjustments” (“FVA”) were recognized in the balance sheet, being the impact on results €4 million and €-2 million, respectively.

Unobservable inputs

Quantitative information of unobservable inputs used to calculate Level 3 valuations is presented below as of December 31, 2019:

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Loans and advances	Present value method	Repo funding curve	(6)	16	100	p.b.
Debt securities	Net present value	Credit spread	18	83	504	p.b
		Recovery rate	0.00%	28.38%	40.00%	%
	Comparable pricing		0.01%	98.31%	135.94%	%
Equity instruments (*)	Net asset Value					
	Comparable pricing					
Credit option	Gaussian Copula	Correlation default	19.37%	44.33%	61.08%	%
Corporate Bond option	Black 76	Price volatility	-	-	-	Vegas
Equity OTC option	Heston	Forward volatility skew	35.12	35.12	35.12	Vegas
	Local volatility	Dividends (**)				
		Volatility	2.49	23.21	60.90	Vegas
FX OTC options	Black Scholes/Local Vol	Volatility	3.70	6.30	10.05	Vegas
Interest rate options	Libor Market Model	Beta	0.25	2.00	18.00	%
		Correlation rate/Credit	(100)		100	%
		Credit default Volatility	-	-	-	Vegas

(*) Due to the diversity of valuation models in equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.

(**) The range of non-observable dividends has too wide range to be relevant.

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying balance sheets during the financial years 2019 and 2018, are as follows:

Financial assets Level 3. Changes in the year (Millions of Euros)

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	**1,758**	**108**	**448**	**119**
Changes in fair value recognized in profit and loss (*)	45	28	(169)	(95)
Changes in fair value not recognized in profit and loss	4	-	-	-
Acquisitions, disposals and liquidations	(123)	668	1,535	185
Net transfers to level 3	452	(72)	(55)	(101)
Exchange differences and others	-	-	-	-
Balance at the end	**2,135**	**732**	**1,758**	**108**

(*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2018 and 2017. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities net".

Additionally, certain reverse repurchase and repurchase agreements have been classified as Level 3 (about 1,186 million euros of financial assets held for trading and 649 million euros of financial liabilities held for trading), due to the non-observability and liquidity in the interest rate yield for the financing of assets applied in the calculation of its fair value.

As of December 31, 2019 and 2018, the profit/loss on sales of financial instruments classified as Level 3 recognized in the accompanying income statement was not material.

Transfers between levels

The Global Valuation Area, in collaboration with the Group, has established the rules for a proper financial instruments held for trading classification according to the fair value hierarchy defined by international accounting standards.

On a monthly basis, any new assets added to the portfolio are classified, according to this criterion, by the subsidiaries. Then, there is a quarterly review of the portfolio in order to analyze the need for a change in classification of any of these assets.

The financial instruments transferred between the different levels of measurement for the year ended December 31, 2019 are at the following amounts in the accompanying balance sheets as of December 31, 2019:

Transfer between levels. December 2019 (Millions of Euros)

From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS						
Financial assets held for trading	21	-	1,118	467	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	23	2	-	37
Financial assets at fair value through other comprehensive income	6	6	4	-	-	-
Derivatives	-	-	-	22	-	8
Total	**27**	**6**	**1,144**	**491**	**-**	**46**
LIABILITIES						
Financial liabilities held for trading	1	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	27	-	0
Derivatives	-	-	-	12	-	110
Total	**1**	**-**	**-**	**39**	**-**	**110**

The amount of financial instruments that were transferred between levels of valuation during the year ended December 31, 2019 is not material relative to the total portfolios, and corresponds to the above changes in the classification between levels these financial instruments modified some of their features, specifically:

- Transfers between Levels 1 and 2 represent mainly debt securities and equity instruments, which are either no longer listed on an active market (transfer from Level 1 to 2) or have just started to be listed (transfer from Level 2 to 1).
- Transfers from Level 2 to Level 3 are mainly due to transactions of financial assets held for trading transactions, derivatives and financial liabilities designated at fair value through profit or loss.
- Transfers from Level 3 to Level 2 generally affect derivative and debt securities transactions, for which inputs observable in the market have been obtained.

Sensitivity analysis

Sensitivity analysis is performed on financial instruments with significant unobservable inputs (financial instruments included in level 3), in order to obtain a reasonable range of possible alternative valuations. This analysis is carried out on a monthly basis, based on the criteria defined by the Global Valuation Area taking into account the nature of the methods used for the assessment and the reliability and availability of inputs and proxies used. In order to establish, with a sufficient degree of certainty, the valuating risk that is incurred in such assets without applying diversification criteria between them.

As of December 31, 2019, the effect on profit for the year and total equity of changing the main unobservable inputs used for the measurement of Level 3 financial instruments for other reasonably possible unobservable inputs, taking the highest (most favorable input) or lowest (least favorable input) value of the range deemed probable, would be as follows:

Financial instruments Level 3: Sensitivity analysis (Millions of Euros)

	Potential impact on income statement		Potential impact on other comprehensive income	
	Most favorable hypothesis	Least favorable hypothesis	Most favorable hypothesis	Least favorable hypothesis
ASSETS				
Financial assets held for trading	**6**	**(60)**	**-**	**-**
Loans and Advances	-	(10)	-	-
Debt securities	3	-	-	-
Equity instruments	1	(48)	-	-
Derivatives	2	(2)	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**138**	**(38)**	**-**	**-**
Loans and advances	125	(34)	-	-
Debt securities	7	-	-	-
Equity instruments	5	(6)	-	-
Financial assets at fair value through other comprehensive income	**-**	**-**	**10**	**(1)**
Total	**144**	**(98)**	**10**	**(1)**
LIABILITIES				
Financial liabilities held for trading	**3**	**(3)**	**-**	**-**
Total	**3**	**(3)**	**-**	**-**

6.2. Fair value of financial instruments carried at cost by valuation criteria

The valuation technique used to calculate the fair value of financial assets and liabilities carried at cost as of December 31, 2019 are presented below:

Financial assets

- Cash, balances at central banks and other demand deposits / loans to central banks / short-term loans to credit institutions/ Repurchase agreements: in general, their fair value is assimilated to their book value, due to the nature of the counterparty and because they are mainly short-term balances in which the book value is the most reasonable estimation of the value of the asset.

- Loans to credit institutions which are not short-term and loans to customers: In general, the fair value of these financial assets is determined by the discount of expected future cash flows, using market interest rates at the time of valuation adjusted by the credit spread and taking all kind of behavior hypothesis if it is considered to be relevant (prepayment fees, optionality, etc.).
- Debt securities: Fair value estimated based on the available market price or by using internal valuation methodologies.

Financial liabilities

- Deposits from central banks: for recurrent liquidity auctions and other monetary policy instruments of central banks / short-term deposits, from credit institutions / repurchase agreements / short term customer deposits: their book value is considered to be the best estimation of their fair value.
- Deposits of credit institutions which are not short-term and term customer deposits: these deposits will be valued by discounting future cash flows using the interest rate curve in effect at the time of the adjustment adjusted by the credit spread and incorporating any behavioral assumptions if this proves relevant (early repayments , optionalities, etc.).
- Debt certificate (Issuances): The fair value estimation of these liabilities depend on the availability of market prices or by using the present value method: discount of future cash flows, using market interest rates at valuation time and taking into account the credit spread.

The following table presents the fair value of key financial instruments carried at amortized cost in the accompanying balance sheets as of December 31, 2019 and 2018, broken down according to the method of valuation used for the estimation:

Fair value of financial instruments at amortized cost by Levels (Millions of Euros)

	2019			2018		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
ASSETS						
Cash, cash balances at central banks and other demand deposits	18,419	-	-	30,922	-	-
Financial assets at amortized cost	15,148	210,852	475	12,490	207,245	545
LIABILITIES						
Financial liabilities at amortized cost	59,645	227,766	-	57,811	215,634	10,570

The main valuation techniques and inputs used to estimate the fair value of financial instruments accounted for at cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those as of December 31, 2019:

Fair value of financial instruments at amortized cost by levels. December 2019 (Millions of euros)

	Level 2	Level 3	Valuation technique (s)	Main observable inputs used
ASSETS				
Financial assets at amortized cost	**210,852**	**475**		
Central Banks	-	-	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	8,068	-		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	196,164	-		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	6,620	475		- Credit spread - Interest rate yield
LIABILITIES				
Financial liabilities at amortized cost	**227,766**	**-**		
Central Banks	-	-	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	18,166	-		
Loans and advances to customers	191,225	-		
Debt securities	8,112	-		
Other financial liabilities	10,264	-		

7. Cash, cash balances at central banks and other demand deposits

The breakdown of the balance under the heading "Cash, cash balances at central banks and other demand deposits" in the accompanying balance sheets is as follows:

Cash, cash balances at central banks and other demand deposits (Millions of Euros)

	2019	2018
Cash on hand	1,046	975
Cash balances at central banks	15,417	27,290
Other demand deposits	1,956	2,656
Total	**18,419**	**30,922**

The change in "Cash balances at central banks" is mainly due to the decrease in Bank of Spain.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

8. Financial assets and liabilities held for trading

8.1. Breakdown of the balance

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

Financial assets and liabilities held-for-trading (Millions of Euros)

	Notes	2019	2018
ASSETS			
Derivatives		32,988	30,217
Debt securities	5.1.2	10,213	11,453
Issued by central banks		70	24
Issued by public administrations		9,156	10,642
Issued by financial institutions		439	407
Other debt securities		549	380
Equity instruments	5.1.2	8,205	4,850
Credit institutions		1,149	878
Other sectors		6,177	3,040
Shares in the net assets of mutual funds		879	932
Loans and advances	5.1.2	33,435	28,690
Loans and advances to central banks		484	2,073
Reverse repurchase agreement	*31*	*484*	*2,073*
Loans and advances to credit institutions		20,688	14,588
Reverse repurchase agreement	*31*	*20,621*	*13,327*
Loans and advances to customers		12,263	12,029
Reverse repurchase agreement	*31*	*12,068*	*11,862*
Total assets		**84,842**	**75,210**
LIABILITIES			
Derivatives		32,503	29,748
Short positions		9,956	9,235
Deposits		31,905	29,259
Deposits from central banks		1,867	5,149
Repurchase agreement	*31*	*1,867*	*5,149*
Deposits from credit institutions		24,425	15,642
Repurchase agreement	*31*	*24,016*	*14,776*
Customer deposits		5,612	8,468
Repurchase agreement	*31*	*5,418*	*8,079*
Total liabilities		**74,364**	**68,242**

As of December 31, 2019, and 2018 the heading “short positions” included €9,414 million and €8,486 million from general governments, respectively.

8.2. Derivatives

The derivatives portfolio arises from the Bank’s need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Bank’s customers. As of December 31, 2019 and 2018, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of foreign credit institutions and other non-financial corporations, and are related to foreign-exchange, interest-rate and equity risk.

Below is a breakdown of the net positions by transaction type of the fair value and notional amounts of derivatives recognized in the accompanying balance sheets, divided into organized and OTC markets:

Derivatives by type of risk and by product or by type of market. (Millions of Euros)

	2019			2018		
	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total
Interest rate	**20,429**	**18,417**	**2,826,711**	**18,383**	**17,119**	**2,770,617**
OTC	20,429	18,417	2,804,950	18,383	17,119	2,754,142
Organized market	-	-	21,761	-	-	16,476
Equity instruments	**2,284**	**3,141**	**84,643**	**2,792**	**2,683**	**114,511**
OTC	363	1,048	41,134	657	232	40,995
Organized market	1,921	2,093	43,509	2,135	2,451	73,516
Foreign exchange and gold	**9,937**	**10,651**	**510,874**	**8,812**	**9,682**	**454,595**
OTC	9,937	10,651	510,874	8,812	9,682	454,595
Organized market	-	-	-	-	-	-
Credit	**338**	**294**	**26,462**	**230**	**264**	**23,341**
Credit default swap	338	292	26,312	228	264	22,841
Credit spread option	-	2	150	2	-	500
Total return swap	-	-	-	-	-	-
Other	-	-	-	-	-	-
Commodities	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
DERIVATIVES	**32,988**	**32,503**	**3,448,690**	**30,217**	**29,748**	**3,363,065**
Of which: OTC - credit institutions	*20,387*	*22,699*	*928,055*	*16,201*	*18,318*	*841,569*
Of which: OTC - other financial corporations	*7,394*	*5,480*	*2,349,893*	*8,705*	*7,161*	*2,324,091*
Of which: OTC - other	*3,286*	*2,231*	*105,472*	*3,176*	*1,818*	*107,414*

9. Non-trading financial assets mandatorily at fair value through profit or loss

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

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)

	Notes	2019	2018
ASSETS			
Equity instruments	5.1.2	125	200
Debt securities	5.1.2	128	150
Loans and advances to customers	5.1.2	602	1,376
Total		**855**	**1,726**

10. Financial assets and liabilities designated at fair value through profit or loss

As of December 31, 2019 and 2018, there was no balance in the heading "Financial assets designated at fair value through profit or loss" (see Note 5.1.2).

As of December 31, 2019 and 2018 the heading "Financial liabilities designated at fair value through profit or loss" included customer deposits for an amount of €2.968 and €1.746 million respectively.

The recognition of assets and liabilities in these headings is made to reduce inconsistencies (asymmetries) in the valuation of those operations and those used to manage their risk.

During financial year 2019 and 2018, there have been no significant reclassifications neither from "Financial assets and liabilities designated at fair value through profit or loss" to other headings nor from other headings to "Financial assets and liabilities designated at fair value through profit or loss".

11. Financial assets at fair value through other comprehensive income

11.1. Breakdown of the balance

The breakdown of the balance by the main financial instruments in the accompanying balance sheets is as follows:

Financial assets designated at fair value through other comprehensive income (Millions of Euros)

	Notes	2019	2018
Debt securities	5.1.2	23,163	17,261
Loss allowances		*(7)*	*(8)*
Subtotal		**23,156**	**17,253**
Equity instruments	5.1.2	1,749	2,020
Total		**24,905**	**19,273**

During financial years 2019 and 2018, there have been no significant reclassifications neither from "Financial assets at fair value through other comprehensive income" to other headings nor from other headings to "Financial assets at fair value through other comprehensive income".

11.2. Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying financial statements as of December 31, 2019 and 2018, broken down by issuers, is as follows:

Financial assets at fair value through other comprehensive income. Debt securities (Millions of Euros)

	2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agency debt securities	12,091	399	(17)	12,473	8,971	347	(5)	9,313
Central banks	-	-	-	-	-	-	-	-
Credit institutions	394	3	-	397	239	2	-	241
Other issuers	490	13	-	502	530	14	(1)	543
Subtotal	**12,975**	**415**	**(18)**	**13,373**	**9,741**	**363**	**(6)**	**10,098**
Foreign debt securities								
Mexico	**436**	**3**	**(1)**	**438**	**512**	**2**	**(11)**	**503**
Government and other government agency debt securities	129	2	-	131	130	2	-	132
Central banks	-	-	-	-	-	-	-	-
Credit institutions	5	-	-	5	-	-	-	-
Other issuers	302	1	(1)	302	382	-	(11)	371
The United States	**3,649**	**26**	**(2)**	**3,672**	**3,460**	**18**	**(13)**	**3,464**
Government securities	2,813	16	-	2,829	2,674	16	-	2,689
Treasury and other government agencies	2,813	16	-	2,829	2,674	16	-	2,689
States and political subdivisions	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
Credit institutions	77	2	-	79	30	1	-	31
Other issuers	759	8	(2)	764	756	1	(13)	745
Other countries	**5,499**	**180**	**(6)**	**5,673**	**3,144**	**105**	**(61)**	**3,188**
Other foreign governments and other government agency debt securities	4,001	166	(2)	4,166	1,798	102	(45)	1,856
Central banks	-	-	-	-	47	-	-	47
Credit institutions	260	1	-	261	152	-	-	152
Other issuers	1,238	13	(5)	1,246	1,147	3	(16)	1,134
Subtotal	**9,584**	**209**	**(10)**	**9,783**	**7,116**	**125**	**(85)**	**7,155**
Total	**22,559**	**624**	**(27)**	**23,156**	**16,857**	**488**	**(91)**	**17,253**

The credit ratings of the issuers of debt securities as of December, 31, 2019, 2018, are as follows:

Debt securities by *rating*

	2019		2018	
	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%
AAA	2,958	12.8%	-	-
AA+	403	1.7%	2,963	17.2%
AA	47	0.2%	20	0.1%
AA-	134	0.6%	50	0.3%
A+	3,175	13.7%	415	2.4%
A	11,963	51.7%	237	1.4%
A-	1,178	5.1%	9,184	53.2%
BBB+	1,275	5.5%	1,729	10.0%
BBB	499	2.2%	2,287	13.3%
BBB-	1,461	6.3%	48	0.3%
BB+ or below	-	-	64	0.4%
Without rating	63	0.3%	257	1.5%
Total	**23,156**	**100.0%**	**17,253**	**100.0%**

11.3. Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying financial statements as of December 31, 2019 and 2018, is as follows:

Financial assets at fair value through other comprehensive income (Millions of Euros)

	2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Equity instruments								
Spanish company shares	2,162	-	(505)	1,657	2,162	-	(209)	1,953
Foreign company shares	-	-	-	-	-	-	-	-
Subtotal equity instruments listed	**2,162**	**-**	**(505)**	**1,657**	**2,162**	**-**	**(209)**	**1,953**
Equity instruments								
Spanish company shares	4	-	-	4	5	-	-	5
Credit institutions	-	-	-	-	-	-	-	-
Other entities	4	-	-	4	5	-	-	5
Foreign companies shares	36	52	-	88	36	26	-	62
The United States	30	48	-	78	30	23	-	52
Other countries	6	4	-	10	6	3	-	9
Subtotal equity instruments unlisted	**40**	**52**	**-**	**92**	**41**	**26**	**-**	**67**
Total	**2,202**	**52**	**(505)**	**1,749**	**2,203**	**26**	**(209)**	**2,020**

11.4. Gains/losses

The changes in the gains/losses (net of taxes) recognized in December 31, 2019 and 2018 of debt securities under the equity heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income" and equity instruments "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Changes in fair value of equity instruments designated at fair value through other comprehensive income" in the accompanying balance sheets are as follows:

Other comprehensive income - Changes in the gains / losses (Millions of Euros)

		Debt securities		Equity instruments	
	Notes	2019	2018	2019	2018
Balance at the beginning		**260**	**547**	**(190)**	**36**
Effect of changes in accounting policies (Circular 4/2017)		-	(10)	-	(25)
Valuation gains and losses		173	(292)	(271)	(199)
Income tax		(32)	119	(8)	(2)
Amounts transferred to income		(66)	(104)	-	-
Other reclassifications		-	-	-	-
Balance at the end	**27**	**335**	**260**	**(469)**	**(190)**

In 2019, debt securities registered a gain of €75 million recognized in the heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income" due to an improvement in the capital gains of positions issued by both general administrations and by other sectors. In the year 2018 the negative evolution was generalized, amounting €-287 million, mostly corresponding to positions in general administrations.

In 2019 and 2018, there were no equity instruments impairment registered under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - Financial assets at fair value through other comprehensive income". (See Note 42).

12. Financial assets at amortized cost

12.1. Breakdown of the balance

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

Financial assets at amortized cost (Millions of Euros)

	Notes	2019	2018
Debt securities		**21,496**	**19,842**
Government		15,920	14,040
Credit institutions		17	43
Other sectors		5,559	5,760
Loans and advances to central banks		**5**	**5**
Loans and advances to credit institutions		**8,049**	**5,271**
Reverse repurchase agreements	31	87	84
Other loans		7,961	5,186
Loans and advances to customers		**195,819**	**194,009**
Government		14,656	15,889
Other financial corporations		8,132	7,443
Non-financial corporations		76,217	72,487
Other		96,814	98,191
Total		**225,369**	**219,127**
Of which: impaired assets of loans and advances to customers		*8,589*	*9,976*
Of which: Loss allowances of debt securities		*(13)*	*(14)*
Of which: Loss allowances of loans and advances		*(5,291)*	*(5,840)*

During financial years 2019 and 2018, there have been no significant reclassifications neither from "Financial assets at amortized cost" to other headings or form other headings to "Financial assets at amortized cost".

12.2. Debt securities

The breakdown of the balance under this heading in the accompanying balance sheets, according to the issuer of the debt securities, is as follows:

Financial assets at amortized cost (Millions of Euros)

	2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agency debt securities	12,730	630	(2)	13,357	10,897	458	(229)	11,126
Central banks	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	25	-	-	26
Other issuers	4,904	38	(3)	4,938	5,014	41	(9)	5,046
Subtotal	**17,634**	**667**	**(5)**	**18,295**	**15,936**	**499**	**(238)**	**16,198**
Foreign debt securities								
The United States	**29**	**-**	**(1)**	**28**	**29**	**-**	**(3)**	**25**
Government securities	-	-	-	-	-	-	-	-
Treasury and other government	-	-	-	-	-	-	-	-
States and political subdivisions	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
Credit institutions	17	-	(1)	17	17	-	(2)	16
Other issuers	12	-	(1)	11	11	-	(1)	10
Other countries	**3,833**	**82**	**(1)**	**3,915**	**3,877**	**10**	**(152)**	**3,735**
Other foreign governments and other government agency debt securities	3,190	82	(1)	3,271	3,143	9	(152)	3,000
Central banks	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other issuers	643	-	-	644	734	1	-	735
Subtotal	**3,862**	**82**	**(2)**	**3,942**	**3,906**	**10**	**(155)**	**3,761**
Total	**21,496**	**749**	**(8)**	**22,238**	**19,842**	**509**	**(393)**	**19,958**

As of December 31, 2019 and 2018, the distribution, based on the credit quality (ratings) of the issuers of debt securities classified as financial assets at amortized cost, is as follows:

Debt securities by *rating*

	2019		2018	
	Carrying amount (Millions of Euros)	**%**	**Carrying amount (Millions of Euros)**	**%**
AAA	33	0.2%	38	0.2%
AA+	51	0.2%	71	0.4%
AA	12	0.1%	60	0.3%
AA-	609	2.8%	-	-
A+	-	-	586	3.0%
A	14,337	66.7%	20	0.1%
A-	517	2.4%	5,909	29.8%
BBB+	1,575	7.3%	8,264	41.7%
BBB	470	2.2%	1,285	6.5%
BBB-	3,194	14.9%	2,599	13.1%
BB+ or below	213	1.0%	168	0.8%
Without rating	484	2.3%	840	4.2%
Total	**21,496**	**100.0%**	**19,842**	**100.0%**

12.3. Loans and advances to customers

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

Loans and advances to customers (Millions of Euros)

	Notes	2019	2018
On demand and short notice		153	216
Credit card debt		2,379	2,243
Trade receivables		13,884	13,040
Finance leases		5,021	4,646
Reverse repurchase agreements	31	-	-
Other term loans		170,772	170,719
Advances that are not loans		3,610	3,145
Total (*)		**195,819**	**194,009**

As of December 31, 2019 and 2018, 30.2% and 27.4%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 69.8% and 72.6%, respectively, have variable interest rates.

The heading "Financial assets at amortized cost –Loans and advances to customers" in the accompanying balance sheets also includes certain secured loans that, as mentioned in Appendix X and pursuant to the Mortgage Market Act, are linked to long-term mortgage-covered bonds.

This heading also includes some loans that have been securitized and not derecognized since the risks or substantial benefits related to them are retained because the Bank granted subordinated loans or other types of credit enhancements that substantially keep all the expected credit losses for the transferred asset or the probable variation of its net cash flows. The balances recognized in the accompanying balance sheets corresponding to these securitized loans are as follows:

Securitized loans (Millions of Euros)		
	2019	**2018**
Securitized mortgage assets	25,496	25,765
Other securitized assets	4,761	3,803
Total securitized assets	**30,257**	**29,568**

13. Hedging derivatives and fair value changes of the hedged items in portfolio hedges of interest rate risk

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

Hedging derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)		
	2019	**2018**
ASSETS		
Derivatives – Hedge accounting	953	1,090
Fair value changes of the hedged items in portfolio hedges of interest rate risk	28	(21)
LIABILITIES		
Derivatives – Hedge accounting	1,471	1,068
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-

As of December 31, 2019 and 2018, the main positions hedged by the Bank and the derivatives assigned to hedge those positions were:

- Fair value hedging:
  - Fixed-interest debt securities at fair value through other comprehensive income and at amortized cost: The interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps) and forward sales.
  - Long-term fixed-interest debt securities issued by the Bank: the interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest loans: The equity price risk of these instruments is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest and/or embedded derivative deposit portfolio hedges: it covers the interest rate risk through fixed-variable swaps. The valuation of the borrowed deposits corresponding to the interest rate risk is in the heading "Fair value changes of the hedged items in portfolio hedges of interest rate risk".
- Cash-flow hedges: Most of the hedged items are floating interest-rate loans and asset hedges linked to the inflation of the financial assets at fair value through other comprehensive income portfolio. This risk is hedged using foreign-exchange and interest-rate swaps, inflation and FRA's ("Forward Rate Agreement").
- Net foreign-currency investment hedges: The risks hedged are foreign-currency investments in the Bank's subsidiaries based abroad. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 5 analyzes the Bank's main risks that are hedged using these derivatives.

The details of the net positions by hedged risk of the fair value of the hedging derivatives recognized in the accompanying balance sheets are as follows:

Derivatives - Hedge accounting. Breakdown by type of risk and type of hedge. (Millions of Euros)

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate	**800**	**346**	**860**	**396**
OTC	800	346	860	396
Organized market	-	-	-	-
Equity instruments	-	-	-	-
Foreign exchange and gold	-	-	-	-
Credit	-	-	-	-
Commodities	-	-	-	-
Other	-	-	-	-
FAIR VALUE HEDGES	**800**	**346**	**860**	**396**
Interest rate	**105**	**666**	**112**	**349**
OTC	105	666	112	349
Organized market	-	-	-	-
Equity instruments	-	-	-	-
Foreign exchange and gold	-	**3**	-	**3**
OTC	-	3	-	3
Organized market	-	-	-	-
Credit	-	-	-	-
Commodities	-	-	-	-
Other	-	-	-	-
CASH FLOW HEDGES	**105**	**669**	**112**	**352**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**12**	**242**	**92**	**231**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**36**	**214**	**26**	**90**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	-	-	-	-
DERIVATIVES-HEDGE ACCOUNTING	**953**	**1,471**	**1,090**	**1,068**
Of which: OTC - credit institutions	*750*	*1,150*	*1,028*	*941*
Of which: OTC - other financial corporations	*203*	*321*	*62*	*126*
Of which: OTC - other	-	-	-	*2*

The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying balance sheet as of December 31, 2019 are:

Cash flows of hedging instruments (Millions of Euros)

	3 months or less	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Receivable cash inflows	46	128	368	219	761
Payable cash outflows	10	24	110	37	181

The above cash flows will have an impact on the income statements until the year 2033.

In 2019 and 2018, there was no reclassification in the accompanying income statements of any amount corresponding to cash flow hedges that was previously recognized in equity.

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in December 31, 2019 and 2018 were not material.

14. Investments in subsidiaries, joint ventures and associates

14.1. Investments in subsidiaries

The heading "Investments in subsidiaries, joint venture and associates- Subsidiaries" in the accompanying balance sheets includes the carrying amount of the shares of companies forming part of the BBVA Group. The percentages of direct and indirect ownership and other relevant information on these companies are provided in Appendix II.

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

Investments in subsidiaries (Millions of Euros)

	2019	2018
Subsidiaries		
By currency	**46,179**	**45,575**
In euros	19,293	19,328
In foreign currencies	26,886	26,247
By share price	**46,179**	**45,575**
Listed	7,015	6,865
Unlisted	39,164	38,710
Loss allowances	**(16,734)**	**(15,941)**
Total	**29,445**	**29,634**

During 2019 and 2018, the negative evolution of the Turkish economy caused a depreciation of the Turkish lira in accordance with the accounting standards applicable to the individual financial statements, the Bank holds the stake in Garanti BBVA, A.S. valued at historic cost (weighted average price in euros of the various acquisitions made since 2011) and at each closing date the recoverability of the investment in euros is evaluated whenever there is any indication of impairment.

As of December 31, 2019 and 2018, BBVA estimated impairment in its holding stake in Garanti BBVA, A.S. affecting the Bank's individual financial statements. This estimation had a net negative impact on the profit of the Bank, net of taxes, of 543 and 1,517 million euros respectively, which is mainly as a result of the depreciation of the Turkish Lira. The Net Equity of the Bank was reduced by the same amount.

This impairment had no impact on the consolidated financial statements of the BBVA Group, since currency translation differences are recognized under "Other accumulated comprehensive income" of the Group's consolidated equity, in accordance with the accounting standards applicable to the consolidated financial statements, so that the depreciation of the Turkish Lira was already recorded, reducing the consolidated net equity of the Group.

As of December 31, 2019, BBVA estimated an impairment in its holding stake in BBVA USA Bancshares, Inc. affecting the Bank's individual financial statements. This estimation had a net negative impact on the profit of the Bank of 279 million euros, which is mainly as a result of the negative evolution of interest rates, especially in the second semester, which accompanied by the slowdown of the economy causes the expected evolution of results below the previous estimation. The Net Equity of the Bank was reduced by the same amount.

The changes in 2019 and 2018 in the balance under this heading in the balance sheets, disregarding the balance of the loss allowances, are as follows:

Investments in subsidiaries: changes in the year (Millions of Euros)

	2019	2018
Balance at the beginning	**45,575**	**42,722**
Acquisitions and capital increases	39	5,438
Merger transactions	-	(426)
Disposals and capital reductions	(84)	(1,713)
Transfers	(23)	(676)
Exchange differences and others	672	230
Balance at the end	**46,179**	**45,575**

Changes in the holdings in Group entities

The most notable transactions performed in 2019 and 2018 are as follows:

Significant changes in the Group in 2019

Divestitures

Sale of BBVA's stake in BBVA Paraguay

On August 7, 2019, BBVA reached an agreement with Banco GNB Paraguay S.A., a subsidiary of Grupo Financiero Gilinski, for the sale of its shareholding, directly and indirectly, in Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay"). BBVA S.A. owned, direct and indirect 100% of its share capital in BBVA Paraguay. It is estimated

The sale price of BBVA Paraguay shares amounts to approximately USD 270 million. In this type of transaction, the price is subject to adjustments between the date of signature and the closing date of the operation. It is estimated that the gains (net of taxes) will amount to approximately €200 million.

This participation has been reclassified from "Investments in subsidiaries" to "Non-current assets and disposal groups classified as held for sale" (see note 19).

Significant changes in the Group in 2018

Mergers

BBVA Portugal, S.A.

On October 19, 2018, the merger by absorption of BBVA Portugal, S.A. by BBVA, S.A., which has led to a reduction in the gross balance of investments in Group entities of 355 million euros.

BBVA Renting, S.A.U.

On July 13, 2018, the merger by absorption of BBVA Renting, S.A.U. by BBVA, S.A., which meant a reduction in the gross balance of investments in Group entities of 90 million euros.

Investments

Monetary contributions of partners to real estate companies in Spain

In December 2018, BBVA made contributions to several real estate companies in Spain for a total amount of €4,243 million, among which stand out Anida Grupo Inmobiliario, S.L. amounting to €2,683 million, Unnim Sociedad para la Gestión de Activos Inmobiliarios, S.A. Unipersonal for the amount of €723 million, Gescat Vivendes in Comercialització, S.L.U. for the amount of €470 million and Iridion Solucions Immobiliaries, S.L.U for an amount of €131 million. These contributions implied a transfer of "Provisions - Remaining Provisions" to "Impairment of Investments in Dependent Entities" for a total amount of €2,129 million (see Note 21).

Divestitures

Sale of BBVA's stake in BBVA Chile

On November 28, 2017, BBVA received a binding offer (the "Offer") from The Bank of Nova Scotia group ("Scotiabank") for the acquisition of BBVA's stake in Banco Bilbao Vizcaya Argentaria Chile, S.A. ("BBVA Chile") as well as in other companies of the Group in Chile with operations that are complementary to the banking business (amongst them, BBVA Seguros Vida, S.A.). BBVA owned approximately, directly and indirectly, 68.19% of BBVA Chile share capital. On December 5, 2017, BBVA accepted the Offer and entered into a sale and purchase agreement and the sale was completed on July, 6, 2018.

The consideration received in cash by BBVA as consequence of the referred sale amounts to, approximately, USD 1,349 million. The transaction results in a capital gain of €864 million, which was recognized in the heading "Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" (see Note 45).

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

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

The Business comprises: (i) foreclosed real estate assets (the "REOs"), with a gross book value of approximately €13,000 million, taking as starting point the situation of the REOs on June 26, 2017; and (ii) the necessary assets and employees to manage the Business in an autonomous manner. For the purpose of the agreement with Cerberus, the whole Business was valued at approximately €5.000 million.

On October 10, 2018, after obtaining all required authorizations, BBVA completed the transfer. Closing of the transaction has resulted in the sale of 61.77% of the share capital of the company Divarian Propiedad, S.A., company to which BBVA has previously contributed the Business, to an entity managed by Cerberus.

Divarian is the company to which the BBVA Group previously contributed the Business, although the effective transfer of some REOs is subject to compliance with certain conditions. The final price to be paid by Cerberus will be adjusted according to the REOs that are finally contributed.

The transaction did not have a significant impact on the financial statements of the Bank.

Refund of premium in BBVA Seguros, S.A., of Insurance and Reinsurance

On April 26, 2018, BBVA received the return of the issue premium of BBVA Seguros, SA, of Insurance and Reinsurance, which entailed a reduction of €368 million in the book value.

Distribution of voluntary reserves of Compañía Chilena de Inversiones, S.L.

On May 24, 2018, BBVA recorded a reduction in the cost of this participation of €359 million derived from the distribution of reserves.

14.2. Investments in joint ventures and associates

The breakdown, by currency and listings status, of this heading in the accompanying balance sheets is as follows:

Joint ventures and associates (Millions of Euros)		
	2019	**2018**
Associates		
By currency	**1,148**	**1,102**
In euros	932	885
In foreign currencies	216	217
By share price	**1,148**	**1,102**
Listed	*284*	*289*
Unlisted	*864*	*813*
Loss allowances	**(83)**	**(60)**
Subtotal	**1,065**	**1,042**
Joint ventures	-	-
By currency	**55**	**59**
In euros	*55*	*59*
In foreign currencies	-	-
By share price	**55**	**59**
Listed	-	-
Unlisted	*55*	*59*
Loss allowances	**(1)**	**(1)**
Subtotal	**54**	**58**
Total	**1,119**	**1,100**

The investments in associates as of December 31, 2019, as well as the most important data related to them, can be seen in Appendix III.

The following is a summary of the gross changes in 2019 and 2018 under this heading in the accompanying balance sheets:

Joint ventures and associates: changes in the year (Millions of Euros)	2019	2018
Balance at the beginning	**1,161**	**578**
Acquisitions and capital increases	157	645
Losses due to merger transactions	-	-
Disposals and capital reductions	(92)	-
Transfers	(23)	(62)
Exchange differences and others	-	-
Balance at the end	**1,203**	**1,161**

During 2019, there has been no significant change

The changes in 2018 attend mainly to:

Sale of Testa Residencial, SOCIMI, S.A.

On April 27, 2018, BBVA purchased BBVA Propiedad, S.A.U. (company owned by the BBVA Group) an additional stake in Testa Residencial, SOCIMI, S.A. for €387 million.

On September 14, 2018, BBVA reached an agreement with Tropic Real Estate Holding, S.L.U., a company managed by Blackstone, for the sale of the stake in Testa Residencial, SOCIMI, S.A for an amount of €469 million. On this date, the stake share was reclassified from "Investments in Associates" to "Non-current assets and disposable groups classified as held for sale" (see Note 19).

On December 21, 2018, the sale of the total stake was made at the sale price agreed in September 2018, without generating significant impacts on the financial statements.

14.3. Notifications about acquisition of holdings

Appendix IV provides notifications on acquisitions and disposals of holdings in associates or jointly-controlled entities, in compliance with Article 155 of the Corporations Act and Article 53 of the Securities Market Act 24/1988.

14.4. Impairment

The breakdown of the changes in loss allowances in 2019 and 2018 under this heading is as follows:

Impairment (Millions of Euros)	Notes	2019	2018
Balance at the beginning		**16,002**	**12,505**
Increase in impairment losses charged to income	43	931	1,612
Decrease in loss allowances credited to income	43	(42)	(75)
Merger transactions		-	(103)
Amount used		(73)	(37)
Transfers (*)		-	2,100
Balance at the end		**16,818**	**16,002**

(*) Corresponds mainly to the variations explained in Note 14.1

15. Tangible assets

The breakdown and movement of the balance and changes of this heading in the accompanying balance sheets, according to the nature of the related items, is as follows:

Tangible assets. Breakdown by type of assets and changes in the year 2019 (Millions of Euros)

						Right to use asset(*)		
	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Investment properties	Tangible asset of own use	Investment properties	Total
Revalued cost								
Balance at the beginning		1,408	-	3,207	16	-	-	4,631
Additions		26	-	93	-	3,200	100	3,419
Contributions from merger transactions		-	-	-	-	-	-	-
Retirements		-	-	(224)	-	(57)	-	(282)
Transfers		(74)	-	(14)	(1)	-	-	(89)
Exchange difference and other		-	-	1	-	-	-	1
Balance at the end		1,360	-	3,063	15	3,143	100	7,681
Accrued depreciation								
Balance at the beginning		215	-	2,486	2	-	-	2,703
Additions	40	17	-	119	-	217	10	362
Contributions from merger transactions		-	-	-	-	-	-	-
Retirements		-	-	(194)	-	(2)	-	(195)
Transfers		(16)	-	(9)	-	-	-	(25)
Exchange difference and other		-	-	1	-	-	-	1
Balance at the end		215	-	2,404	2	215	10	2,845
Impairment								
Balance at the beginning		178	-	-	12	-	-	190
Additions	43	-	-	20	1	60	-	80
Retirements	43	-	-	-	(1)	-	-	(1)
Transfers		(16)	-	-	(5)	127	14	120
Exchange difference and other		-	-	(20)	-	-	-	(20)
Balance at the end		162	-	-	6	187	14	369
Net tangible assets								
Balance at the beginning		1,016	-	721	2	-	-	1,739
Balance at the end		983	-	660	7	2,741	76	4,467

(*) The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches. The clauses included in rental contracts correspond to a large extent to rental contracts under normal market conditions in the country where the property is rented (see Note 2.20).

Tangible assets. Breakdown by type of assets and changes in the year 2018 (Millions of Euros)

		For own use					
	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Total tangible asset of own use	Investment properties	Total
Revalued cost							
Balance at the beginning		**1,226**	**-**	**3,437**	**4,663**	**33**	**4,696**
Additions		278	-	94	372	-	372
Contributions from merger transactions (*)		13	-	56	69	-	69
Retirements		(22)	-	(354)	(376)	-	(376)
Transfers		(87)	-	(27)	(114)	(17)	(131)
Exchange difference and other		-	-	1	1	-	1
Balance at the end		**1,408**	**-**	**3,207**	**4,615**	**16**	**4,631**
Accrued depreciation							
Balance at the beginning		**235**	**-**	**2,581**	**2,816**	**5**	**2,821**
Additions	40	13	-	138	151	-	151
Contributions from merger transactions		6	-	53	59	-	59
Retirements		(8)	-	(272)	(280)	-	(280)
Transfers		(32)	-	(15)	(47)	(3)	(50)
Exchange difference and other		-	-	1	1	-	1
Balance at the end		**214**	**-**	**2,486**	**2,700**	**2**	**2,702**
Impairment							
Balance at the beginning		**260**	**-**	**-**	**260**	**16**	**276**
Additions	43	-	-	27	27	-	27
Retirements	43	(5)	-	-	(5)	-	(5)
Transfers		(77)	-	-	(77)	(4)	(81)
Exchange difference and other		-	-	(27)	(27)	-	(27)
Balance at the end		**178**	**-**	**-**	**178**	**12**	**190**
Net tangible assets							
Balance at the beginning		**731**	**-**	**856**	**1,587**	**12**	**1,599**
Balance at the end		**1,016**	**-**	**721**	**1,737**	**2**	**1,739**

(*) "Contributions from merger transactions" shows tangible assets of merged company BBVA Portugal (see Note 14.1).

As of December 31, 2019 and 2018, the cost of fully amortized tangible assets that remained in use were €1,686 million and €1,606 million, respectively.

The main activity of the Bank is carried out through a network of bank branches located geographically as shown in the following table:

Branches by geographical location (Number of branches)

	2019	2018
Spain	2,642	2,840
Rest of the world	24	25
Total	**2,666**	**2,865**

As of December 31, 2019 and 2018, the percentage of branches leased from third parties in Spain was 67.30% and 66.65%, respectively.

The change is mainly due to the implementation of Circular 2/2018 on January 1, 2019 (see Note 2.20).

16. Intangible assets

The breakdown of the balance under this heading in the balance sheets as of December 31, 2019 and 2018 relates mainly to the net balance of the disbursements made on the acquisition of computer software. The average life of the Bank's intangible assets is 5 years.

The breakdown of the balance under this heading in the balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)	2019	2018
Transactions in progress	836	816
Accruals	70	82
Total	**905**	**898**

The breakdown of the changes in 2019 and 2018 in the balance under this heading in the balance sheets is as follows:

Other intangible assets. Changes over the year (Millions of Euros)	Notes	2019	2018
Balance at the beginning		**898**	**882**
Additions		318	314
Contributions from merger transactions		-	3
Amortization in the year	40	(311)	(301)
Balance at the end		**905**	**898**

In 2018, the line "Contributions from merger transactions" shows intangible assets of merged company BBVA Portugal (see Note 14.1).

17. Tax assets and liabilities

The balance of the heading "Tax Liabilities" in the accompanying balance sheets contains the liability for applicable taxes, including the provision for corporation tax of each year, net of tax withholdings and prepayments for that period, and the provision for current period corporation tax in the case of companies with a net tax liability. The amount of the tax refunds due to Group companies and the tax withholdings and prepayments for the current period are included under "Tax Assets" in the accompanying balance sheets.

Banco Bilbao Vizcaya Argentaria, S.A. and its tax-consolidable subsidiaries file consolidated tax returns. The subsidiaries of Argentaria, which had been in Tax Group 7/90, were included in Tax Group 2/82 from 2000, since the merger had been carried out under the tax neutrality system provided for in Title VIII, Chapter VIII of Corporation Tax Law 43/1995. On December, 30, 2002, the pertinent notification was made to the Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation. Similarly, on the occasion of the acquisition of Unnim Group in 2012, the companies composing the Tax Group No. 580/11 which met the requirements became part of the tax group 2/82 from January 1, 2013. Lastly, on the occasion of the acquisition of Catalunya Banc Group in 2015, the companies composing the Tax Group No. 585/11 which met the requirements became part of the tax group 2/82 from January 1, 2016.

In 2018, the Bank carried out an intra-community cross-border merger by absorption of Banco Bilbao Vizcaya Argentaria (Portugal), S.A. as well as merger by absorption of BBVA Renting. These transactions carried out under the special regime for mergers, divisions, transfers of assets and exchanges of securities provided for in Chapter VII of Title VII of the Corporate Tax Law, approved by Law 27/2014, of November 27. The information requirements under the above legislation are included in the financial statements for 2018 as well as in the merger by absorption deed, other official documents and internal records of the Bank, available to the tax authorities.

In 2016, the Bank carried corporate restructuring operations, under the special regime for mergers, divisions, transfers of assets and exchanges of securities provided for in Chapter VII of Title VII of the Corporate Tax Law, approved by Law 27/2014, of November 27. The information requirements under the above legislation are included in the financial statements for 2016 as well as in the merger by absorption deed, other official documents and internal records of the Bank, available to the tax authorities.

In 2013, 2011 and 2009, the Bank also participated in corporate restructuring operations subject to the special regime for mergers, splits, transfers of assets and exchanges of securities under Chapter VIII of Title VII of the Corporation Tax Act, approved by Royal Legislative Decree 4/2004, of March 5. The reporting requirements under the above legislation are included in the financial statements of the relevant entities for 2013, 2011 and 2009 as well as in the merger by absorption deed, other official documents and internal records of the Bank, available to the tax authorities.

Also, in 2003, as in previous years, the Bank performed corporate restructuring operations under the special system of tax neutrality regulated by Act 29/1991 of December 16 (which adapted certain tax provisions to the Directives and Regulations of the European Communities) and by Title VIII, Chapter VIII of Corporation Tax Act 43/1995, of December 27. The disclosures required under the aforementioned legislation are included in the financial statements of the relevant entities for the period in which the transactions took place.

17.1. Years open for review by the tax authorities

At the date these financial statements were prepared, the Bank has 2014 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

In 2017, as a result of the tax audit conducted by the tax authorities, tax inspection proceedings were issued against several Group companies for the years up to and including 2013, having been all signed in acceptance. These proceedings became final in 2017.

In view of the different interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Bank considers that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Bank's financial statements.

17.2. Reconciliation

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the recognized corporation tax expense is as follows:

Reconciliation of the Corporate Tax Expense Resulting from the Application of the Standard Rate and the Expense Registered by this Tax (Millions of Euros)

	2019	2018
Corporation tax	**662**	**742**
Decreases due to permanent differences:	-	-
Tax credits and tax relief at consolidated Companies	(44)	(53)
Other items net	(762)	(949)
Net increases (decreases) due to temporary differences	33	24
Charge for income tax and other taxes	**-**	**-**
Deferred tax assets and liabilities recorded (utilized)	(33)	(24)
Income tax and other taxes accrued in the period	**(144)**	**(260)**
Adjustments to prior years' income tax and other taxes	111	284
Income tax and other taxes	**(33)**	**24**

The item "Other taxes" of the above table includes in 2019 the effect in income tax of those dividends and capital gains entitled to avoid double taxation of €3.349 million.

The Bank avails itself of the tax credits for investments in new fixed assets (in the scope of the Canary Islands tax regime, for a non-material amount), tax relief, R&D tax credits, donation tax credits and double taxation tax credits, in conformity with corporate income tax legislation.

Under the regulations in force until December 31, 2001, the Bank and the savings banks which would form Unnim Banc and Catalunya Banc were available to the tax deferral for reinvestment. The information related to this tax credit can be found in the corresponding annual reports.

From 2002 to 2014, the Bank availed itself to the tax credit for reinvestment of extraordinary income obtained on the transfer for consideration of properties and shares representing ownership interests of more than 5%. The acquisition of shares over the 5% figure in each period was allocated to fulfill the reinvestment commitments which are a requirement of the previously mentioned tax credit.

The amount assumed in order to qualify for the aforementioned tax credit is as follows:

Year	Millions of Euros
2002	276
2003	27
2004	332
2005	80
2006	410
2007	1,047
2008	71
2009	23
2010	35
2011	5
2012	4
2013	70
2014	2

Additionally, due to the merger of Unnim Banc, the Bank assumes the commitment of maintenance during the time required by the tax legislation of the assets in which Caixa d´Estalvis de Sabadell, Caixa d´Estalvis de Terrassa and Caixa d´Estalvis Unió de Caixes Manlleu Sabadell y Terrassa materialized in previous years the reinvestment of extraordinary profits for the implementation of a corresponding deduction. The amount of income qualifying for the deduction indicated is as follows:

Year	Millions of Euros
2008	61
2009	59
2010	202

Finally, due to the merger of Catalunya Banc, the Bank assumes the commitment of maintenance during the time required by the tax legislation of the assets in which Caixa d´Estalvis de Catalunya, Caixa d´Estalvis de Tarragona, Caixa d'Estalvis de Manresa and Caixa d´Estalvis Unió de Caixes de Catalunya, Tarragona I Manresa materialized in previous years the reinvestment of extraordinary profits for the implementation of a corresponding deduction. The amount of income qualifying for this deduction indicated is as follows:

Year	Millions of Euros
2005	1
2006	22
2007	111
2008	82
2009	10
2010	107

In 2019, following the approval of Royal Decree-Law 3/2016, of December 2, by which certain measures in the tax field directed to the consolidation of the public finances and other urgent measures in social matter are adopted, the Bank has included in its tax base €87 million as a reversal of the impairment losses on instruments representing participation in the capital or in the equity of companies which have been tax deductible from the tax base of Corporate Income Tax in tax periods started prior to January, 1, 2013. Likewise, as a result of the sale and liquidation of companies during the year, it is no longer necessary to integrate income for an amount of €5 million. The amount pending to be included in the tax base at closure and from the investees amounted to €84 million approximately.

Millions of Euros	2019
Pending addition to taxable income as of December 31, 2018	**176**
Decrease income (included) 2019	(87)
Sales and liquidations 2019	(5)
Pending addition to taxable income as of December 31, 2019	**84**

In the year 2019, and as a consequence of what is established in the transitory provision thirty-ninth of the Corporate Income Tax Law, in accordance with the wording given by Royal Decree-Law 27/2018, of December 28, which adopts certain measures in tax and cadastral matters, the Bank has made a decrease of €47 million in its tax base, as the second third of the charges and credit to reserves accounts for the first application of Circular 4/2017 and which were considered deductible as of January 1, 2018. In this regard, in the corporate income tax finally presented for the year 2018, the amount considered as deductible was adjusted in €7 million. The amount pending to be integrated at closure is approximately €47 million.

Integration in taxable base of accounting operations due to application of Circular 4/2017 (Millions of Euros)	2019
Income pending to integrate at January 1, 2019	**87**
Integration 2019	(47)
2018 Income tax declaration adjustments	7
Income pending to integrate at December 31, 2019	**47**

17.3. Income tax recognized in equity

In addition to the income tax registered in the income statements, in 2019 and 2018 the Bank recognized the following amounts in equity:

Tax Recognized in Total Equity (Millions of Euros)	2019	2018
Charges to total equity		
Debt securities	(154)	(161)
Equity instruments	(15)	(8)
Other	-	-
Subtotal	**(169)**	**(169)**
Credits to total equity		
Debt securities	-	-
Equity instruments	-	-
Other	109	74
Subtotal	**109**	**74**
Total	**(60)**	**(95)**

17.4. Current and deferred taxes

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

Tax Assets and Liabilities. Breakdown (Millions of Euros)

	2019	2018	Variation
Tax assets-			
Current tax assets	1,443	1,410	33
Deferred tax assets	12,317	12,580	(263)
Pensions	302	273	29
Financial Instruments	373	412	(39)
Other assets	249	282	(33)
Impairment losses	206	228	(22)
Other	402	463	(61)
Secured tax assets (*)	9,362	9,357	5
Tax losses	1,423	1,565	(142)
Total	**13,760**	**13,990**	**(230)**
Tax Liabilities-			
Current tax liabilities	149	126	23
Deferred tax liabilities	972	1,071	(99)
Charge for income tax and other taxes	972	1,071	(99)
Total	**1,120**	**1,197**	**(76)**

(*) The Law guaranteeing the deferred tax assets was approved in Spain in 2013.

Based on the available information, including historical profit levels and projections that the Bank handles for the coming 15 years results, it is considered that sufficient taxable income to recover deferred tax assets above would be generated when they become deductible under the provisions of tax legislation.

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

- The variations in deferred tax assets related to Impairment losses, Pensions and Other Assets as well as the decrease of the deferred tax liabilities are due mainly to the adjustments on the corporate income tax finally presented for year 2018 and the estimation for 2019.
- The decrease in deferred tax assets related to Financial Instruments is due to the corporate income tax estimation for 2019, including the effect of valuation adjustments recorded against equity.
- The decrease in tax losses is due to the review of the deferred taxes recorded in the balance carried out on the occasion of each accounting closing.

Of the assets and liabilities due to deferred tax contained in the above table, those included in section 17.3 above have been recognized against the entity's equity, and the rest against earnings for the year or, in its case, Reserves.

From the guaranteed tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish Government is as follows:

Secured tax assets (Millions of Euros)

	2019	2018
Pensions	1,924	1,924
Impairment losses	7,438	7,433
Total	**9,362**	**9,357**

On the other hand, BBVA, S.A., has not recognized certain negative tax bases and deductions for which, in general, there is no legal period for offsetting, which are mainly originated by Catalunya Banc.

18. Other assets and liabilities

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

Other assets and liabilities (Millions of Euros)

	Notes	2019	2018
ASSETS			
Insurance contracts linked to pensions	**22**	**2,096**	**2,032**
Rest of other assets		**504**	**2,155**
Transactions in progress		72	107
Accruals		242	212
Prepaid expense		*54*	*48*
Other prepayments and accrued income		*188*	*164*
Other items		190	1,837
Total		**2,600**	**4,187**
LIABILITIES			
Transactions in progress		37	11
Accruals		895	962
Accrued expense		*736*	*788*
Other accrued expense and deferred income		*159*	*174*
Other items		713	1,023
Total		**1,645**	**1,996**

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

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

Non-current assets and disposal groups classified as held for sale. Breakdown by items (Millions of Euros)

	2019	2018
Foreclosures and recoveries	1,021	1,259
Foreclosures	980	1,218
Recoveries from financial leases	41	40
Other assets from tangible assets	280	243
Business sale - Assets (*)	23	-
Accrued amortization (**)	(49)	(32)
Impairment losses	(308)	(405)
Total non-current assets and disposal groups classified as held for sale	**967**	**1,065**

(*) The balance of 2019 is mainly of the participation in BBVA Paraguay (See Note 14.1)

(**) Corresponds to the accumulated depreciation of assets before classification as "Non-current assets and disposal groups classified as held for sale".

The changes in the balances under this heading in 2019 and 2018 are as follows:

Non-current assets and disposal groups classified as held for sale. Changes in the year 2019 (Millions of Euros)

		Foreclosed assets				
	Notes	Foreclosed assets through auction proceeding	Recovered assets from finance Leases	From own use assets (*)	Business sale - assets (**)	Total
Cost (1)						
Balance at the beginning		**1,219**	**40**	**211**	**-**	**1,470**
Additions		416	43	1	-	460
Contributions from merger transactions		-	-	-	-	-
Retirements (*sales and other decreases*)		(450)	(38)	(44)	-	(532)
Transfers, other movements and exchange differences		(205)	(4)	63	23	(123)
Balance at the end		**980**	**41**	**231**	**23**	**1,275**
Impairment (2)						
Balance at the beginning		**270**	**13**	**122**	**-**	**405**
Additions	45	38	2	10	-	50
Contributions from merger transactions		-	-	-	-	-
Retirements (*sales and other decreases*)		(109)	(2)	(22)	-	(133)
Other movements and exchange differences		(29)	-	15	-	(14)
Balance at the end		**170**	**13**	**125**	**-**	**308**
Balance at the end of Net carrying value (1)-(2)		**810**	**28**	**106**	**23**	**967**

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

(**) Corresponds to the state in BBVA Paraguay (See Note 14).

Non-current assets and disposal groups classified as held for sale. Changes in the year 2018 (Millions of Euros)

	Notes	Foreclosed assets		From own use assets (*)	Business sale - assets (**)	Total
		Foreclosed assets through auction proceeding	Recovered assets from finance leases			
Cost (1)						
Balance at the beginning		**2,863**	**128**	**349**	**-**	**3,340**
Additions		495	37	4	-	536
Contributions from merger transactions		47	4	-	-	51
Retirements (sales and other decreases)		(1,983)	(120)	(223)	(737)	(3,063)
Transfers, other movements and exchange differences		(203)	(9)	81	737	606
Balance at the end		**1,219**	**40**	**211**	**-**	**1,470**
Impairment (2)						
Balance at the beginning		**880**	**41**	**193**	**-**	**1,114**
Additions	45	(100)	3	2	-	(95)
Contributions from merger transactions		5	-	-	-	5
Retirements (sales and other decreases)		(525)	(34)	(101)	(10)	(670)
Other movements and exchange differences		10	3	28	10	51
Balance at the end		**270**	**13**	**122**	**-**	**405**
Balance at the end of net carrying value (1)-(2)		**949**	**27**	**89**	**-**	**1,065**

(*) Net of accumulated amortization until reclassified as non-current assets and disposal groups held for sale.
(**) Corresponds to the sale of BBVA Inversiones Chile S.A. and Testa Residencial SOCIMI, S.A. (See Note 14).

As indicated in Note 2.3, "Non-current assets and disposal groups held for sale" and "liabilities included in disposal groups classified as held for sale" are valued at the lower amount between its fair value less costs to sell and its book value. As of December 31, 2019, practically all of the carrying amount of the assets recorded at fair value on a non-recurring basis coincides with their fair value.

Assets from foreclosures or recoveries

The table below shows the non-current assets held for sale from foreclosures or recoveries:

Non-current assets and disposal groups classified as held for sale. From foreclosures or recoveries (Millions of Euros)

	2019	2018
Residential assets	676	854
Industrial assets	145	106
Agricultural assets	15	13
Total (*)	**838**	**976**

(*) As of December 31, 2019 and 2018, €2 and €3 million respectively included related to recovered assets from finance leases.

The table below shows the length of time for which the main assets from foreclosures or recoveries that were on the balance sheet as of December 31, 2019 and 2018 had been held:

Assets from foreclosures or recoveries. Period of ownership (Millions of Euros)

	2019	2018
Up to one year	282	339
From 1 to 3 years	313	271
From 3 to 5 years	154	199
Over 5 years	89	167
Total	**838**	**976**

In 2019 and 2018, some of the sales of these assets were financed by the Bank. The amount of the loans granted to the buyers of these assets in those years totaled €21 and €66 million respectively, with a mean percentage financed of 92% and 90%, respectively, of the price of sale. The total nominal amount of these loans, which are recognized under "Loans and receivables", is €1,622 and €1,607 million, as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, there were no gains not recognized in the income statement from the sale of assets financed by the Bank.

20. Financial liabilities at amortized cost

20.1. Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of Euros)

	2019	2018
Deposits	234,052	239,563
Deposits from central banks	24,390	26,605
Demand deposits	22	20
Time deposits	24,368	26,585
Deposits from credit institutions	18,201	20,539
Demand deposits	4,859	6,188
Time deposits	11,060	9,898
Repurchase agreements	2,282	4,453
Customer deposits	191,461	192,419
Demand deposits	115,419	108,929
Time deposits	34,656	43,079
Savings deposits	41,385	39,982
Repurchase agreements	-	429
Debt certificates issued	40,845	35,769
Other financial liabilities	10,362	7,825
Total	**285,260**	**283,157**

20.2. Deposits from credit institutions

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

Deposits from credit institutions. December 2019 (Millions of Euros)

	Demand deposits	Time deposits and other	Repurchase agreements	Total
Spain	1,968	1,096	-	3,064
Rest of Europe	1,784	3,607	2,282	7,673
Mexico	396	-	-	396
South America	293	922	-	1,216
The United States	235	2,972	-	3,208
Rest of the world	183	2,462	-	2,645
Total	**4,859**	**11,060**	**2,282**	**18,201**

Deposits from credit institutions. December 2018 (Millions of Euros)

	Demand deposits	Time deposits and other	Repurchase agreements	Total
Spain	1,977	2,621	55	4,652
Rest of Europe	2,924	3,583	4,397	10,904
Mexico	149	-	-	149
South America	728	420	-	1,148
The United States	211	895	-	1,107
Rest of the world	199	2,379	-	2,578
Total	**6,188**	**9,898**	**4,453**	**20,539**

20.3. Customer deposits

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

Customer deposits. December 2019 (Millions of Euros)

	Demand deposits	Savings Deposits	Time deposits and other	Repurchase agreements	Total
Spain	109,278	40,673	24,080	-	174,032
Rest of Europe	4,333	315	5,986	-	10,634
Mexico	238	26	317	-	582
South America	779	106	1,189	-	2,074
The United States	242	39	2,214	-	2,494
Rest of the world	549	226	870	-	1,645
Total	**115,419**	**41,385**	**34,656**	**-**	**191,461**

Customer deposits. December 2018 (Millions of Euros)

	Demand deposits	Savings deposits	Time deposits and other	Repurchase agreements	Total
Spain	102,243	39,235	28,723	-	170,201
Rest of Europe	5,181	336	10,306	429	16,253
Mexico	217	27	243	-	487
South America	623	116	1,286	-	2,026
The United States	229	32	1,104	-	1,365
Rest of the world	436	236	1,417	-	2,088
Total	**108,929**	**39,982**	**43,079**	**429**	**192,419**

Previous table includes as of 31, December 2019 and 2018, subordinated deposits amounted to €303 million and €300 million, respectively, vinculated to subordinated debt issues and preferred shares launched by BBVA International Preferred, S.A.U., BBVA Global Finance, Ltd., Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal and CaixaSabadell Preferents, S.A. Unipersonal, which are unconditionally and irrevocably secured by the Bank.

20.4. Debt certificates

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

Debt certificates issued (Millions of Euros)

	2019	2018
In Euros	**36,503**	**32,271**
Promissory bills and notes	554	-
Non-convertible bonds and debentures	12,637	9,573
Mortgage Covered bonds(**)	12,316	12,313
Other securities	2,317	642
Accrued interest and others (*)	794	715
Subordinated liabilities	7,885	9,030
Convertible perpetual certificates	5,000	5,490
Non-convertible preferred stock	-	-
Other non-convertible subordinated liabilities	2,668	3,417
Valuation adjustments (*)	217	123
In Foreign Currency	**4,342**	**3,498**
Promissory bills and notes	235	439
Non-convertible bonds and debentures	1,072	1,132
Mortgage Covered bonds (**)	112	111
Other securities	740	544
Accrued interest and others (*)	10	13
Subordinated liabilities	2,173	1,259
Convertible perpetual certificates	1,780	873
Non-convertible preferred stock	-	-
Other non-convertible subordinated liabilities	390	383
Valuation adjustments (*)	3	3
Total	**40,845**	**35,769**

(*) Accrued interest but pending payment, valuation adjustments and issuance costs included
(**) See Appendix X.

As of December 31, 2019 and 2018, 71% and 56% of "Debt certificates" have fixed-interest rates, and 29% and 44% have variable interest rates, respectively.

The total cost of the accrued interest under "Debt securities issued" in 2019 and 2018 totaled €622 million and €618 million, respectively.

As of December 31, 2019 and 2018 the accrued interest pending payment from promissory notes and bills and bonds and debentures amounted to €348 million and €378 million, respectively.

The heading “Nonconvertible bonds and debentures” as of December 31, 2019 includes several issues, the latest maturing in 2039.

The heading “Mortgage Covered Bonds" as of December 31, 2019 includes issues with various maturities, the latest in 2037.

Subordinated liabilities included in this heading and in Note 20.3, and accordingly, for debt seniority purposes, they rank behind ordinary debt, but ahead of the Bank’s shareholders, without prejudice to any different seniority that may exist between the different types of subordinated debt instruments according to the terms and conditions of each issue. The breakdown of this heading in the accompanying balance sheets, disregarding valuation adjustments, by currency of issuance and interest rate is shown in Appendix VII.

The variations of the balance under this heading are mainly the result of the following transactions:

Convertible perpetual liabilities

The AGM held on March 17, 2017, resolved, under agenda item five, to confer authority to the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the approval date of the authorization, up to a maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the AGM resolved to confer to the Board of Directors the authority to totally or partially exclude shareholders’ pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or effectively carried out to cover the conversion of mandatory convertible issuances made under this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred by the AGM held on March 17, 2017, under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

Under that delegation, BBVA made the following issuances that qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation (EU) 575/2013:

- In September 2018 and March 2019, BBVA carried out both issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1,000 million each. These issuances are listed in the AIAF Fixed Income Securities Market and were targeted only at professional clients and eligible counterparties, and not being offered or sold to any retail clients.
- On September 5, 2019, BBVA carried out an issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of $1,000 million. This issuance is listed in the Global Exchange Market of Euronext Dublin and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents.

Additionally, other issuances:

- The additional issuances of perpetual contingent convertible securities (additional tier 1 instruments) with exclusion of pre-emptive subscription rights of shareholders were carried out, by virtue of other delegations conferred by the AGM, in February 2015 for an amount of €1.5 billion and in April 2016 for an amount of €1 billion. These issuances were targeted only at qualified investors and foreign private banking clients not being offered to, and not being subscribed for, in Spain or by Spanish residents. These issuances are listed in the Global Exchange Market of Euronext Dublin and qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation (EU) 575/2013.

These perpetual securities will be converted into newly issued ordinary shares of BBVA if the CET 1 ratio of the Bank or the Group is less than 5.125%, in accordance with their respective terms and conditions.

These issues may be fully redeemed at BBVA´s option only in the cases contemplated in their respective terms and conditions, and in any case, in accordance with the provisions of the applicable legislation. In particular:

- On May 9, 2018, the Bank early redeemed the issuance of preferred securities contingently convertible (additional tier 1 instrument) carried out by the Bank on May 9, 2013, for an amount of USD1.5 billion on the First Reset Date of the issuance and once the prior consent from the Regulator was obtained.
- On February 19, 2019 the Bank early redeemed the issuance of preferred securities contingently convertible (additional tier 1 instrument), carried out by the Bank on February 19, 2014, for a total amount of €1,5 billion and once the prior consent from the Regulator has been obtained.
- Additionally, on December 23, 2019, the Bank has notified its irrevocable decision to early redeem next February 18, 2020 the issuance of preferred securities contingently convertible (additional tier 1 instrument), carried out by the Bank on February 18, 2015, for a total amount of €1,5 billion and once the prior consent from the Regulator has been obtained.

20.5. Other financial liabilities

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

Other financial liabilities (Millions of Euros)	2019	2018
Lease liabilities (*)	3,111	
Creditors for other financial liabilities	3,289	3,123
Collection accounts	2,666	3,270
Creditors for other payment obligations	1,296	1,432
Total	**10,362**	**7,825**

(*) The change is mainly due to the implementation of Circular 2/2018 on January 1, 2019 (see Note 2.15).

A breakdown of the maturity of the lease liabilities, due after December 31, 2019 is provided below:

Maturity of future payment obligations (Millions of Euros)	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Leases	207	413	398	2,094	3,111

The information required by Final Provision second of Law 31/2014 of December 3, amending Additional Provision third of Law 15/2010, of July 5, amending the Law 3/2004 of December 29, through which measures for combating late payment are set, is as follows:

Payments made and pending payments (*) (Millions of Euros)	2019		2018	
	BBVA SPAIN	BBVA GROUP IN SPAIN	BBVA SPAIN	BBVA GROUP IN SPAIN
Average payment period to suppliers (days)	28	28	24	24
Ratio of outstanding payment transactions (days)	28	28	24	24
Ratio outstanding payment transactions (days)	20	20	19	19
Total payments	2,519	2,524	2,783	2,811
Total outstanding payments	92	92	86	86

(*) It is considered on time payments made within 60 days, and not on time those which exceeds 60 days.

The data shown in the table above on payments to suppliers refer to those which by their nature are trade creditors for the supply of goods and services, so data relating to "Other financial liabilities other liabilities -Trade pay " is included in the balance.

21. Provisions

The breakdown of the balance under this heading in the accompanying balance sheets, based on type of provisions, is as follows:

Provisions: Breakdown by concepts (Millions of Euros)	Notes	2019	2018
Pensions and other post-employment defined benefit obligations	22	3,810	4,043
Other long term employee benefits	22	25	29
Provisions for taxes and other legal contingencies		359	348
Commitments and guarantees given		235	238
Other provisions (*)		188	467
Total		**4,616**	**5,125**

(*) Individually insignificant provisions or contingencies, for various concepts in different geographies.

The changes in 2019 and 2018 in the balances under this heading in the accompanying balance sheets are as follows:

Provisions for pensions and similar obligations. Changes over the year (Millions of Euros)		
	2019	**2018**
Balance at the beginning	**4,072**	**4,625**
Add		
Charges to income for the year	233	168
Interest expense and similar charges	*7*	*13*
Personnel expense	*4*	*4*
Provision expense	*222*	*151*
Charges to equity (*)	1	6
Transfers and other changes	66	5
Less		
Benefit payments	(533)	(609)
Employer contributions	(2)	(110)
Unused amounts reversed during the period	(2)	(13)
Balance at the end	**3,835**	**4,072**

(*)Corresponds to actuarial losses (gains) arising from certain welfare benefits (see Note 2.9).

Provisions for taxes, legal contingents and other provisions. Changes over the year (Millions of Euros)		
	2019	**2018**
Balance at beginning	**1,053**	**2,980**
Effect of correction of errors	-	57
Adjusted initial balance	**1,053**	**3,037**
Additions	410	942
Acquisition of subsidiaries (*)	-	31
Unused amounts reversed during the period	(239)	(512)
Amount used and other variations (**)	(442)	(2,445)
Balance at the end	**782**	**1,053**

(*) Corresponds to actuarial losses (gains) arising from certain welfare benefits (see Note 2.9).
(**) See Note 14.1.

Ongoing legal proceedings and litigation

The financial sector faces an environment of increasing regulatory and litigious pressure. In this environment, the different Group's entities are often parties to individual or collective legal proceedings arising from the ordinary activity of their businesses. In accordance with the procedural status of these proceedings and according to the criteria of the attorneys who manage them, BBVA considers that none of them is material, individually or in aggregate, and that no significant impact derives from them neither in the results of operations nor on liquidity, nor in the financial position at a consolidated level of the Group, as at the level of the standalone Bank. The Group Management considers that the provisions made in connection with these legal proceedings are adequate.

As mentioned in Note 5.5 Legal risk factors, the Group is subject or may be subject in the future to a series of legal and regulatory investigations, procedures and actions which, in case of a negative result, could have an adverse impact on the business, the financial situation and the results of the Group.

22. Post-employment and other employee benefit commitments

As stated in Note 2.8, the Bank has assumed commitments with employees including short-term employee benefits (Note 39.1), defined contribution and defined benefit plans, as well as other long-term employee benefits.

The main Employee Welfare System has been implemented in Spain. Under the collective labor agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary right-holders in the event of retirement (except for those hired after March 8, 1980), permanent disability, death of spouse or death of parent.

The Employee Welfare System in place at the Bank supersedes and improves the terms and conditions of the collective labor agreement for the banking industry; including benefits in the event of retirement, death and disability for all employees, including those hired after March 8, 1980. The Bank externally funded all its pension commitments with active and retired employees pursuant to Royal Decree 1588/1999, of October 15. These commitments are instrumented in external pension plans, insurance contracts with non-Group companies and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.96% owned by the Banco Bilbao Vizcaya Argentaria Group.

The table below shows a breakdown of recorded balance sheet liabilities relating to defined benefit plans as at December 31, 2019 and 2018:

Net liability (asset) on the balance sheet (Millions of Euros)

	Notes	2019	2018
Pension commitments		3,523	3,379
Early retirement commitments		1,478	1,785
Other long-term employee benefits		25	29
Total commitments		**5,026**	**5,193**
Pension plan assets		1,200	1,126
Early retirement plan assets		-	-
Other long-term plan assets		-	-
Total plan assets		**1,200**	**1,126**
Total net liability/asset on the balance sheet		**3,826**	**4,067**
Of which: provisions- provisions for pensions and similar obligations	*21*	*3,810*	*4,043*
Of which: provisions-other long-term employee benefits	*21*	*25*	*29*
Other net assets in pension plans		*(9)*	*(5)*
Of which: Insurance contracts linked to pensions	*18*	*(2,096)*	*(2,032)*

The following table shows defined benefit plan costs recorded in the income statement for fiscal years 2019 and 2018:

Income statement and equity Impact (Millions of Euros)

	Notes	2019	2018
Interest and similar expense		**7**	**13**
Interest expense		7	13
Interest income		-	-
Personnel expense		**52**	**45**
Defined contribution plan expense	39.1	47	39
Defined benefit plan expense	39.1	1	2
Other benefit expense		4	4
Provision (net)		**220**	**138**
Early retirement expense		189	139
Past service cost expense		1	2
Remeasurements (*)		23	(13)
Other provision expense		7	10
Total effects in income statements: debit (credit)		**279**	**196**
Total effects on equity: debit (credit) (**)		**1**	**6**

(*) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statement (see Note 2.8).

(**) Actuarial gains (losses) on remeasurement of the net defined benefit pension liability before income taxes (see Note 2.8).

22.1. Defined benefit plans

Defined benefit commitments relate mainly to employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. For the latter, the Group pays the required premiums to fully insure the related liability.

The change in these commitments as of December 31, 2019 and 2018 was as follows:

Defined benefit plans (Millions of Euros)

	2019				2018			
	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	**5,164**	**1,126**	**4,038**	**2,032**	**5,580**	**986**	**4,594**	**2,142**
Net commitments addition	-	-	-	-	17	17	-	-
Current service cost	5	-	5	-	5	-	5	-
Interest income or expense	53	18	35	28	71	22	49	36
Contributions by plan participants	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	20	(20)	-
Past service costs (1)	191	-	191	-	140	-	140	-
Remeasurements:	342	157	185	168	(25)	(23)	(2)	(8)
Return on plan assets (2)	-	*157*	*(157)*	*168*	-	*(23)*	*23*	*(8)*
From changes in demographic assumptions	*(1)*	-	*(1)*	-	*15*	-	*15*	-
From changes in financial assumptions	*286*	-	*286*	-	*(9)*	-	*(9)*	-
Other actuarial gain and losses	*57*	-	*57*	-	*(31)*	-	*(31)*	-
Benefit payments	(774)	(121)	(653)	(132)	(855)	(139)	(716)	(138)
Settlement payments	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	219	235	(16)	-
Transformation to defined contribution	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	7	6	1	-	-	-	-	-
Other effects	13	14	(1)	-	12	8	4	-
Balance at the end	**5,001**	**1,200**	**3,801**	**2,096**	**5,164**	**1,126**	**4,038**	**2,032**

(1) Including gains and losses arising from settlements.

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

The balance under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet as of December 31, 2019 includes €351 million for commitments for post-employment benefits maintained with previous members of the Board of Directors and the Bank's Management Committee.

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

In order to guarantee the good governance of these plans, the Bank has established an Employee Benefits Committee including members from the different areas to ensure that all decisions are made taking into consideration all of the associated impacts.

The following table sets out the key actuarial assumptions used in the valuation of these commitments as at December 31, 2019 and 2018:

Actuarial Assumptions. Commitments in Spain

	2019	2018
Discount rate	0.68%	1.28%
Rate of salary increase	-	-
Mortality tables	PERM/F 2000P	PERM/F 2000P

The discount rate shown as of December, 31, 2019, corresponds to the weighted average rate, the actual discount rates used are 0% and 1% depending on the type of commitment.

The discount rate used to value future benefit cash flows has been determined by reference to Eurozone high quality corporate bonds (see Note 2.8).

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

Assumed retirement ages have been set by reference to the earliest age at which employees are entitled to retire or the contractually agreed age in the case of early retirements.

Changes in the actuarial main assumptions can affect the calculation of the commitments. Should the discount rate have increased or decreased by 50 basis points, an impact on equity for the commitments in Spain would have been registered amounting to approximately €20 million net of tax.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include leave and long-service awards, which consist of either an established monetary award or shares in Banco Bilbao Argentaria A.A. granted to employees when they complete a given number of years of qualifying service. As of December 31, 2019 and 2018 the value of these commitments amounted to €25 and €29 million respectively. These amounts are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying balance sheet (see Note 21).

Information on the various commitments is provided in the following sections.

Pension commitments

These commitments relate mainly to retirement, death and disability pension payments. They are covered by insurance contracts, pension funds and internal provisions.

The change in pension commitments as of December 31, 2019 and 2018 is as follows:

Pensions commitments (Millions of Euros)

	2019				2018			
	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	**3,379**	**1,126**	**2,253**	**2,032**	**3,376**	**986**	**2,390**	**2,142**
Net commitments addition	-	-	-	-	17	17	-	-
Current service cost	5	-	5	-	5	-	5	-
Interest income or expense	49	18	31	28	62	22	40	36
Contributions by plan participants	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	20	(20)	-
Past service costs [1]	2	-	2	-	1	-	1	-
Remeasurements:	335	157	178	168	(15)	(23)	8	(8)
Return on plan assets [2]	-	*157*	*(157)*	*168*	-	*(23)*	*23*	*(8)*
From changes in demographic assumptions	*(1)*	-	*(1)*	-	*15*	-	*15*	-
From changes in financial assumptions	*273*	-	*273*	-	*(9)*	-	*(9)*	-
Other actuarial gain and losses	*63*	-	*63*	-	*(21)*	-	*(21)*	-
Benefit payments	(271)	(121)	(150)	(132)	(297)	(139)	(158)	(138)
Settlement payments	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	219	235	(16)	-
Defined contribution transformation	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	7	6	1	-	-	-	-	-
Other effects	17	14	3	-	11	8	3	-
Balance at the end	**3,523**	**1,200**	**2,323**	**2,096**	**3,379**	**1,126**	**2,253**	**2,032**
Of Which: vested benefit obligation relating to current employees	*3,349*	-	-	-	*3,239*	-	-	-
Of Which: vested benefit obligation relating to retired employees	*174*	-	-	-	*150*	-	-	-

(1) Including gains and losses arising from settlements.

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

In Spain, local regulation requires that pension and death benefit commitments must be funded, either through a qualified pension plan or an insurance contract.

These commitments are covered by insurance contracts which meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant number of the insurance contracts are with BBVA Seguros, S.A. –a BBVA related party – and consequently these policies cannot be considered plan assets under the applicable standards. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet (see Note 21), while the related assets held by the insurance company are included under the heading "Insurance contracts linked to pensions ".

On the other hand, some pension commitments have been funded through insurance contracts with insurance companies not related to the Bank. In this case the accompanying balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2019 and 2018, the plan assets related to the aforementioned insurance contracts equaled the amount of the commitments covered; therefore, no amount for this item is included in the accompanying balance sheets.

Pension benefits are paid by the insurance companies with whom BBVA has insurance contracts and to whom all insurance premiums have been paid. The premiums are determined by the insurance companies using "cash flow matching" techniques to ensure that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

The Bank signed a Social Benefit Standardization Agreement for its employees in Spain. The agreement standardizes the existing social benefits for the different groups of employees and, in some cases where a service was provided, quantified it as an annual amount in cash.

In addition, some overseas branches of the Bank maintain defined-benefit pension commitments with some of their active and inactive personnel. These arrangements are closed to new entrants who instead participate in defined-contribution plans.

Early retirement commitments

In 2019 the Bank offered certain employees the possibility of taking retirement or early retirement before the age stipulated in the collective labor agreement in force. This offer was accepted by 611 employees (485 in 2018). The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement.

The change in these commitments during financial years 2019 and 2018 is shown below:

Early retirement commitments (Millions of Euros)

	2019			2018		
	Defined Benefit Obligation	**Plan assets**	**Net liability (asset)**	**Defined benefit obligation**	**Plan assets**	**Net liability (asset)**
Balance at the beginning	**1,785**	**-**	**1,785**	**2,204**	**-**	**2,204**
Current service cost	-	-	-	-	-	-
Interest income or expense	4	-	4	9	-	9
Contributions by plan participants	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-
Past service costs (1)	189	-	189	139	-	139
Remeasurements:	7	-	7	(10)	-	(10)
Return on plan assets (2)	-	-	-	-	-	-
From changes in demographic assumptions	-	-	-	-	-	-
From changes in financial assumptions	*13*	-	*13*	-	-	-
Other actuarial gain and losses	*(6)*	-	*(6)*	*(10)*	-	*(10)*
Benefit payments	(503)	-	(503)	(558)	-	(558)
Settlement payments	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-
Defined contribution transformation	-	-	-	-	-	-
Effect on changes in foreign exchange rates	-	-	-	-	-	-
Other effects	(4)	-	(4)	1	-	1
Balance at the end	**1,478**	**-**	**1,478**	**1,785**	**-**	**1,785**

(1) Including gains and losses arising from settlements.

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

The valuation and account treatment of these commitments is the same as that of the pension commitments, except for the treatment of actuarial gains and losses (see Note 2.8).

Estimated benefit payments

As of December, 31, 2019 the estimated payments over the next ten years are as follows:

Estimated future payments (Millions of Euros)	2020	2021	2022	2023	2024	2025 - 2029
Commitments in Spain	621	544	449	360	288	903
Of which: Early retirements	*419*	*349*	*261*	*181*	*117*	*150*

22.2. Defined contribution plans

The Bank sponsors defined contribution plans, in some cases with employees making contributions which are matched by the employer.

These contributions are accrued and charged to the income statement in the corresponding financial year (see Note 2.8). No liability is therefore recognized in the accompanying balance sheets for this purpose.

23. Common stock

As of December 31, 2019 and 2018, BBVA's common stock amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entries. All of the Bank shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

The Bank's shares are traded on the stock markets of Madrid, Barcelona, Bilbao and Valencia through the *Sistema de Interconexión Bursátil Español (Mercado Continuo),* as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange.

As of December 31, 2019, State Street Bank and Trust Co., The Bank of New York Mellon SA NV and Chase Nominees Ltd and in their capacity as international custodian/depositary banks, held 11.68%, 2.03%, and 6.64% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On April 18, 2019, Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it now has an indirect holding of BBVA common stock totaling 5.917%, of which 5.480% are voting rights attributed to shares and 0,437% are voting rights through financial instruments.

On February 3, 2020, Norges Bank reported to the Spanish Securities and Exchange Commission (CNMV) that it now has an indirect holding of BBVA, S.A. common stock totaling 3.066%, of which 3.051% are voting rights attributed to shares, and 0.015% are voting rights through financial instruments.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known that could give rise to changes in the control of the Bank.

Agreements of the AGM

Capital increase

BBVA's AGM held on March 17, 2017 resolved, under agenda item four, to confer authority on the Board of Directors to increase Bank's share capital, on one or several occasions, subject to provisions in the law and in the Company Bylaws that may be applicable at any time, within the legal term of five years of the approval date of the authorization, up to the maximum amount corresponding to 50% of Bank's share capital at the time on which the resolution was adopted, likewise conferring authority to the Board of Directors to totally or partially exclude shareholders' pre-emptive subscription rights over any specific issue that may be made under such authority; although the power to exclude pre-emptive subscription rights was limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of preemptive subscription rights in use of the referred authority and those that may be resolved or carried out to cover the conversion of mandatory convertible issues that may equally be made with the exclusion of preemptive subscription rights in use of the authority to issue convertible securities conferred by the AGM held on March 17, 2017, under agenda item five (without prejudice to the anti-dilution adjustments and this limit not being applicable to contingent convertible issues) shall not exceed the nominal maximum overall amount of 20% of the share capital of BBVA at the time of the authorization.

As of the date of this document, the Bank's Board of Directors has not exercised the authority conferred by the AGM.

Convertible and/or exchangeable securities

Convertible and/or exchangeable securities are detailed in Note 20.4

24. Share premium

As of December 31, 2019 and 2018, the balance under this heading in the accompanying balance sheets was €23,992 million.

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

25. Retained earnings, Revaluation reserves and Other

25.1. Breakdown of the balance

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

Retained earnings, revaluation reserves and other reserves (Millions of Euros)		
	2019	2018(*)
Restricted reserves		
Legal reserve	653	653
Restricted reserve for retired capital	124	133
Revaluation Royal Decree-Law 7/1996	-	3
Voluntary reserves		
Voluntary and others (*)	8,331	8,010
Total	**9,108**	**8,799**

(*) See Note 1.3 and 2.20.

25.2. Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. The transfer must be made until the legal reserve reaches 20% of the common stock.

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

25.3. Restricted reserves

As of December 31, 2019 and 2018, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)		
	2019	2018
Restricted reserve for retired capital	88	88
Restricted reserve for parent company shares and loans for those shares	34	44
Restricted reserve for redenomination of capital in euros	2	2
Total	**124**	**133**

The restricted reserve for retired capital resulted from in the reduction of the nominal par value of the BBVA shares made in April 2000.

The second heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the Parent Company shares.

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

25.4. Revaluation and regularizations of the balance sheet

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the legal provisions applicable to the regularization and revaluation of balance sheets. Thus, on December 31, 1996, Banco Bilbao Vizcaya, S.A. revalued its tangible assets pursuant to Royal Decree-Law 7/1996 of June 7 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing valuations. As a result of these updates, the increases in the cost and depreciation of tangible fixed assets were calculated and allocated as follows.

Following the review of the balance of the "Revaluation reserve pursuant to Royal Decree-Law 7/1996 of June 7" account by the tax authorities in 2000, this balance could only be used, free of tax, to offset recognized losses and to increase share capital until January 1, 2007. From that date, the remaining balance of this account can also be allocated to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or derecognized.

The breakdown of the calculation and movement to voluntary reserves under this heading are:

Revaluation and regularization of the balance sheet (Millions of Euros)	2019	2018
Legal revaluations and regularizations of tangible assets:	-	-
Cost	187	187
Less:		
Single revaluation tax (3%)	*(6)*	*(6)*
Balance as of December 31, 1999	**181**	**181**
Rectification as a result of review by the tax authorities in 2000	(5)	(5)
Transfer to voluntary reserves	(176)	(173)
Total	**-**	**3**

26. Treasury shares

In 2019 and 2018 the Group companies performed the following transactions with shares issued by the Bank:

Treasury shares (Millions of euros)	2019		2018	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	**47,257,691**	**296**	**13,339,582**	**96**
+ Purchases	214,925,699	1,088	279,903,844	1,683
- Sales and other changes	(249,566,201)	(1,298)	(245,985,735)	1,505
+/- Derivatives on BBVA shares	-	(23)	-	23
+/- Other changes	-	-	-	-
Balance at the end	**12,617,189**	**62**	**47,257,691**	**296**
Of which:	-	-	-	-
Held by BBVA, S.A.	-	-	-	-
Held by Corporación General Financiera, S.A.	12,617,189	62	47,257,691	296
Held by other subsidiaries	-	-	-	-
Average purchase price in Euros	5.06	-	6.11	-
Average selling price in Euros	5.20	-	6.25	-
Net gain or losses on transactions (Shareholders' funds-Reserves)		13		(24)

The percentages of treasury shares held by the Group in 2019 and 2018 are as follows:

Treasury Stock	2019			2018		
	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.138%	0.746%	0.213%	0.200%	0.850%	0.709%

The number of BBVA shares accepted by the Bank in pledge of loans as of December 31, 2019 and 2018 is as follows:

Shares of BBVA accepted in pledge	2019	2018
Number of shares in pledge	43,018,382	61,632,832
Nominal value (Euros)	0.49	0.49
% of share capital	0.65%	0.92%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2019 and 2018 is as follows:

Shares of BBVA owned by third parties but managed by the Group	2019	2018
Number of shares owned by third parties	23,807,398	25,306,229
Nominal value (Euros)	0.49	0.49
% of share capital	0.36%	0.38%

27. Accumulated other comprehensive income (loss)

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

Accumulated other comprehensive income (Millions of Euros)	Notes	2019	2018
Items that will not be reclassified to profit or loss		**(520)**	**(152)**
Actuarial gains (losses) on defined benefit pension plans		(75)	(78)
Non-current assets and disposal groups classified as held for sale		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	11.4	(469)	(190)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		24	116
Items that may be reclassified to profit or loss		**138**	**144**
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges (effective portion)		(196)	(116)
Fair value changes of debt instruments measured at fair value through other comprehensive income	11.4	335	260
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Total		**(381)**	**(8)**

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

28. Capital base and capital management

Capital base

As of December 31, 2019 and 2018, equity is calculated in accordance to the applicable regulation of each year on minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated group– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

The minimum capital base requirements established by the current regulation are calculated according to BBVA S.A.'s exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, BBVA S.A. must fulfill the risk concentration limits established in said regulation and the internal corporate governance obligations.

After the supervisory review and evaluation process ("SREP") conducted in 2019 by the ECB, BBVA S.A. has received the notification to maintain, starting from January, 1, 2020, an 8.53 % minimum CET1 ratio and a 12.03 % minimum total capital ratio on a solo basis.

This total capital requirement includes: i) a Pillar 1 requirement of 8% that should be fulfilled by a minimum of 4.5% of CET1; ii) a Pillar 2 requirement of 1.5% of CET1 that remains at the same level as the one included in the previous SREP decision; iii) a Capital Conservation buffer of 2.5% of CET1; and iv) the Countercyclical Capital buffer 0.03% of CET1.

The ECB Pillar 2 requirement remains at the same level as the one established in the last SREP decision, being the sole difference the evolution of the Countercyclical Capital buffer of 0.01% approximately.

A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2019 and 2018 is shown below:

Eligible capital resources (Millions of euros)

	Notes	2019 (*)	2018
Capital	23	3,267	3,267
Share premium	24	23,992	23,992
Retained earnings, revaluation reserves and other reserves	25.1	9,108	8,799
Other equity instruments, net		48	46
Treasury shares	26	-	(23)
Profit for the year		2,241	2,450
Attributable dividend		(1,086)	(1,114)
Total Equity		**37,570**	**37,417**
Accumulated other comprehensive income		(381)	(8)
Shareholders´ equity		**37,189**	**37,409**
Intangible assets		(884)	(874)
Fin. treasury shares		(107)	(27)
Indirect treasury shares		(377)	(227)
Deductions		**(1,368)**	**(1,127)**
Temporary CET 1 adjustments		544	608
Equity not eligible at solvency level		**544**	**608**
Other adjustments and deductions (1)		**(2,784)**	**(2,912)**
Common Equity Tier 1 (CET 1)		**33,581**	**33,977**
Additional Tier 1 before regulatory adjustments		**5,400**	**5,005**
Tier 1		**38,981**	**38,982**
Tier 2		**3,585**	**3,975**
Total Capital (Total Capital=Tier 1 + Tier 2)		**42,566**	**42,957**
Total Minimum equity required		**24,603**	**22,172**

(*) Provisional data.

(1) This CET1 phased-in ratio includes the impact of the initial implementation of Bank of Spain Circular 4/2017. In this context, the European Commission and Parliament have established temporary arrangements that are voluntary for the institutions, adapting the impact of Bank of Spain Circular 4/2017 on capital ratios. BBVA has informed the supervisory board its adherence to these arrangements.

The BBVA S.A.'s capital in accordance with the aforementioned applicable regulation as of December 31, 2019, 2018 and 2017 is shown below:

Amount of capital CC1 (Millions of Euros)

	2019 (*)	2018
Capital and share premium	27,259	27,259
Retained earnings and equity instruments	9,652	9,407
Other accumulated income and other reserves	(194)	(196)
Net interim attributable profit	2,241	2,450
Ordinary Tier 1 (CET 1) before other reglamentary adjustments	**38,958**	**38,921**
Goodwill and intangible assets	(884)	(874)
Direct and indirect holdings in equity	-	-
Deferred tax assets	(1,419)	(1,451)
Other deductions and filters	(3,074)	(2,619)
Total common equity Tier 1 reglamentary adjustments	**(5,377)**	**(4,809)**
Common equity TIER 1 (CET1)	**33,581**	**33,977**
Equity instruments and share premium classified as liabilities	5,400	5,005
Additional Tier 1 (CET 1) before regulatory adjustments	5,400	5,005
Temporary CET 1 adjustments	-	-
Total regulatory adjustments of additional equity I Tier 1	-	-
Additional equity Tier 1 (AT1)	**5,400**	**5,005**
Tier 1 (Common equity TIER 1+ additional TIER 1)	**38,981**	**38,982**
Equity instruments and share premium accounted as Tier 2	3,242	3,768
Credit risk adjustments	344	206
Tier 2 before regulatory adjustments	3,585	3,975
Tier 2 reglamentary adjustments	-	-
Tier 2	3,585	3,975
Total capital (Total capital=Tier 1 + Tier 2)	**42,566**	**42,957**
Total RWA's	**204,512**	**194,663**
CET 1 (phased-in)	16.4%	17.5%
Tier 1 (phased-in)	19.1%	20.0%
Total capital (phased-in)	20.8%	22.1%

(*) Provisional data.

As of December 2019 Common Equity Tier 1 (CET1) phased-in ratio stood at 16.42% (fully-loaded ratio of 16.17%), including the impact of IFRS 16 standard's implementation that entered into force on January 1st, 2019 (-24 basis points). Compared to December 2018, the ratio's decrease was supported by a growth of risk-weighted assets indicated in the following paragraph

Risk-weighted assets (RWAs) increased by approximately € 9,800 million in 2019 as a result of activity growth, mainly in emerging markets and the incorporation of regulatory impacts (the application of IFRS 16 standard and TRIM - Targeted Review of Internal Models) for approximately € 7,500 million (impact on the CET1 ratio of -60 basis points).

The bucket of fully loaded additional tier 1 capital (AT1) phased-in stood at 2.64% as of December 31st, 2019. In this regard, BBVA S.A. carried out an issue of €1,000 million CoCos, registered at the Spanish Securities Market Commission (CNMV) and another issue of the same type of instruments, registered in the Securities Exchange Commission (hereinafter, SEC) for USD 1,000 million.

On the other hand, in February 2020 the CoCos issuance of € 1,500 million issued in February 2015 will be amortized. As of December 31st, 2019, it is no longer included in the capital ratios.

Finally, in terms of issues eligible as Tier 2 capital, BBVA S.A. issued a € 750 million subordinated debt and carried out the early redemption of two subordinated-debt issues; one for €1,500 million redeemed in April 2019, and another issued in June 2009 by Caixa d'Estalvis de Sabadell with an outstanding nominal amount of €4.9 million and redeemed in June 2019.

All of this, together with the evolution of the remaining elements eligible as Tier 2 capital, set the Tier 2 phased in ratio at 1.75% as of December 31st, 2019.

In addition, in January 2020, BBVA, S.A. issued €1,000 million of Tier 2 eligible subordinated debt. This issue will be included in the capital ratios for the first quarter of 2020 with an estimated impact of approximately +50 basis points on the T2 capital ratio.

These levels are above the requirements established by the supervisor in its SREP letter applicable in 2019, also above the applicable requirements from January, 1st. 2020.

Capital management

Capital management in the BBVA Group has a twofold aim:

- Maintain a level of capitalization according to the business objectives in all countries in which it operates and, simultaneously,
- Maximize the return on shareholders' funds through the efficient allocation of capital to the different units, a good management of the balance sheet and appropriate use of the various instruments forming the basis of the Group's equity: shares, preferred securities and subordinated debt.

This capital management is carried out determining the capital base and the solvency ratios established by the prudential and minimum capital requirements also have to be met for the entities subject to prudential supervision in each country.

The current regulation allows each entity to apply its own internal ratings-based (IRB) approach to risk assessment and capital management, subject to Bank of Spain approval. The BBVA Group carries out an integrated management of these risks in accordance with its internal policies and its internal capital estimation model has received the Bank of Spain's approval for certain portfolios (see note 5).

29. Commitments and guarantees given

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

Commitments and guarantees given (Millions of Euros)

	Notes	2019	2018
Loan commitments given		**73,582**	**69,513**
Of which: defaulted		*157*	*153*
Central banks		-	-
General governments		2,128	1,701
Credit institutions		11,545	9,457
Other financial corporations		3,404	5,420
Non-financial corporations		42,714	39,150
Households		13,791	13,785
Financial guarantees given		**9,086**	**9,197**
Of which: defaulted		*153*	*184*
Central banks		-	-
General governments		103	134
Credit institutions		359	583
Other financial corporations		4,385	3,802
Non-financial corporations		4,107	4,542
Households		132	136
Other commitments given		**28,151**	**27,202**
Of which: defaulted		*311*	*352*
Central banks		1	1
General governments		77	55
Credit institutions		4,326	4,302
Other financial corporations		2,947	3,150
Non-financial corporations		20,685	19,550
Households		115	144
Total commitments and guarantees given	**5.1.2**	**110,819**	**105,912**

As of December 31, 2019, the provisions for loan commitments given, financial guarantees given and other commitments given, recorded in the balance sheet amounted €61million, €65 million and €109 million, respectively (see Note 21).

Since a significant portion of the amounts above will expire without any payment obligation materializing for the companies, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the Bank to third parties.

In 2019 and 2018 no issuance of debt securities carried out by associates, or non-Group entities have been guaranteed.

30. Other contingent assets and liabilities

As of December 31, 2019 and 2018, there were no material contingent assets or liabilities other than those disclosed in these Financial Statements.

31. Purchase and sale commitments and future payment obligations

The breakdown of the purchase and sale commitments of the Bank as of December 31, 2019 and 2018 is as follows:

Purchase and sale commitments (Millions of Euros)

	Notes	2019	2018
Financial instruments sold with repurchase commitments		**33,584**	**32,887**
Financial liabilities held for trading		31,302	28,005
Central banks	8	1,867	5,149
Credit institutions	8	24,016	14,776
Customer deposits	8	5,418	8,079
Financial liabilities at amortized cost		2,282	4,882
Central banks		- -	
Credit institutions	20	2,282	4,453
Customer deposits		-	429
Financial instruments purchased with resale commitments		**33,260**	**27,347**
Financial assets held for trading		33,173	27,262
Central banks	8	484	2,073
Credit institutions	8	20,621	13,327
Loans and advances to customers	8	12,068	11,862
Financial assets at amortized cost		87	84
Central banks		-	-
Credit institutions	12	87	84
Loans and advances to customers	12	-	-

Future payment obligations other than those mentioned in the notes above correspond mainly to long-term (over 5 year) obligations amounting to around €3,111 million for leases payable derived from operating lease contracts.

32. Transactions on behalf of third parties

As of December 31, 2019 and 2018 the details of the relevant transactions on behalf of third parties are as follows:

Transactions on behalf of third parties. Breakdown by concepts (Millions of Euros)

	2019	2018
Financial instruments entrusted to BBVA by third parties	518,077	474,070
Conditional bills and other securities received for collection	4,109	3,993
Securities lending	8,807	3,113
Total	**530,993**	**481,176**

33. Net interest income

33.1. Interest income

The breakdown of the interest income recognized in the accompanying income statement is as follows:

Interest income. Breakdown by origin (Millions of Euros)		
	2019	**2018**
Financial assets held for trading	285	239
Financial assets designated at fair value through profit or loss	3	3
Financial assets at fair value through other comprehensive income	285	394
Financial assets at amortized cost	4,373	4,293
Hedging derivatives	(177)	(226)
Cash flow hedges (effective portion)	*23*	*12*
Fair value hedges	*(200)*	*(238)*
Other assets	27	22
Liabilities interest income	215	152
Total	**5,011**	**4,877**

The amounts recognized in equity during both years in connection with hedging derivatives and the amounts derecognized from equity in 2019 and 2018 and taken to the income statement during those years are disclosed in the accompanying statements of recognized income and expenses.

33.2. Interest expense

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

Interest expense. Breakdown by origin (Millions of Euros)		
	2019	**2018**
Financial liabilities held for trading	293	268
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortized cost (*)	1,344	1,352
Hedging derivatives and interest rate risk	(296)	(322)
Cash flow hedges	*2*	*2*
Fair value hedges	*(298)*	*(324)*
Other liabilities	69	23
Assets interest expense	137	65
Total	**1,548**	**1,386**

(*) Includes €52 million as of December 31, 2019 corresponding to interest expense on leases (see Note 20.5).

34. Dividend income

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

Dividend income (Millions of Euros)		
	2019	**2018**
Investments in associates	3	3
Investments in subsidiaries	3,183	2,993
Other shares and dividend income	118	119
Total	**3,304**	**3,115**

35. Fee and commission income

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

Fee and commission income (Millions of Euros)	2019	2018
Bills receivables	21	21
Demand accounts	174	175
Credit and debit cards and TPVs	449	412
Checks	7	8
Transfers and other payment orders	129	148
Insurance product commissions	157	148
Loan commitments given	88	89
Other commitments and financial guarantees given	167	170
Asset management	104	108
Securities fees	95	90
Custody securities	98	97
Other fees and commissions	655	615
Total	**2,144**	**2,083**

36. Fee and commission expense

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

Fee and commission expense (Millions of Euros)	2019	2018
Credit and debit cards	191	174
Transfers and others payment orders	4	3
Custody securities	14	14
Other fees and commissions	238	217
Total	**447**	**407**

37. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net

The breakdown of the balance under this heading, by source of the related items, in the accompanying income statements is as follows:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)	2019	2018
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	107	109
Financial assets at amortized cost	*35*	*3*
Other financial assets and liabilities	*72*	*106*
Gains (losses) on financial assets and liabilities held for trading, net	375	364
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or (losses)	*375*	*364*
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	35	78
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or (losses)	*35*	*78*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(101)	(41)
Gains (losses) from hedge accounting, net	21	46
Subtotal	**438**	**556**
Exchange Differences	(133)	(60)

Total	**304**	**496**

The breakdown of the balance (excluding exchange rate differences) under this heading in the accompanying income statements by the nature of financial instruments is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)

	2019	2018
Debt instruments	284	33
Equity instruments	1,167	(251)
Loans and advances to customers	114	109
Derivatives	(1,042)	498
Derivatives held for trading	(1,063)	452
Interest rate agreements	(58)	(26)
Security agreements	(1,061)	249
Commodity agreements	-	-
Credit derivative agreements	41	42
Foreign-exchange agreements	16	187
Hedging Derivatives Ineffectiveness	21	46
Fair value hedges	21	46
Hedging derivative	(11)	(158)
Hedged item	32	205
Cash flow hedges	-	-
Customer deposits	(84)	64
Other	(1)	102
Total	**438**	**556**

In addition, in 2019 and 2018, under the heading “Exchange differences, net” of the income statements, net amounts of negative €225 million and negative €113 million, respectively, are recognized for transactions with foreign exchange trading derivatives.

38. Other operating income and expense

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

Other operating income (Millions of Euros)

	2019	2018
Real estate income	29	26
Financial income from non-financial services	81	66
Other operating income	15	17
Total	**125**	**108**

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

Other operating expense (Millions of Euros)

	Notes	2019	2018
Contributions to guaranteed banks deposits funds	1.7	340	310
Real estate agencies		41	48
Other operating expense		106	116
Total		**487**	**474**

39. Administration expense

39.1 Personnel expense

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

Personnel expense (Millions of Euros)

	Notes	2019	2018
Wages and salaries		1,833	1,804
Social security costs		394	370
Defined contribution plan expense	22	47	39
Defined benefit plan expense	22	1	2
Other personnel expense		120	113
Total		**2,394**	**2,328**

The breakdown of the number of employees in the Bank as of December 31, 2019 and 2018, by category and gender, is as follows:

Number of employees at the end of year. Professional category and gender

	2019		2018	
	Male	Female	Male	Female
Management team	801	252	798	245
Other line personnel	10,454	10,814	10,713	10,904
Clerical staff	1,001	1,599	1,072	1,687
General services	-	-	-	-
Branches abroad	558	433	375	248
Total	**12,814**	**13,098**	**12,958**	**13,084**

Note 50.5 provides information about the average number of employees by gender.

Share-based employee remuneration

The amounts registered under the heading "Personnel expense - Other personnel expense" in the income statements for the years 2019 and 2018, corresponding to the plans for remuneration based on equity instruments in force in each year, amounted to €24 million and €22 million for BBVA, respectively. These amounts have been registered with a balancing entry under the heading "Shareholders' funds – Other equity instruments" in the accompanying balance sheets, net of tax effect.

The characteristics of the Group's remuneration plans based on equity instruments are described below.

System of Variable Remuneration in Shares

BBVA has a specific remuneration system applicable to those employees whose professional activities may have a material impact on the risk profile of the Group (hereinafter "Identified Staff"), designed within the framework of applicable regulations to credit institutions and considering best practices and recommendations at the local and international levels in this matter.

In 2019, this remuneration scheme is reflected in the following remuneration policies:

- **BBVA Group Remuneration Policy**, approved by the Board of Directors on 29 of November 2017, that applies in general to all employees of BBVA and of its subsidiaries that form part of the consolidated group. This policy includes in a specific chapter the remuneration system applicable to the members of BBVA Group Identified Staff, including Senior Management.
- **BBVA Directors' Remuneration Policy**, approved by the Board of Directors and by the General Shareholders' Meeting held on March 15, 2019, that it's applicable to BBVA Directors. The remuneration system for executive directors corresponds, generally, with the applicable system to the Identified Staff, to which they belong, incorporating some particularities of their own, derived from their condition of directors.

The Annual Variable Remuneration for the Identified Staff members is subject to specific rules for settlement and payment established in their corresponding remuneration policies, specifically:

- Variable remuneration for Identified Staff members for each financial year will be subject to *ex ante* adjustments, so that it shall be reduced at the time of the performance assessment in the event of negative performance of the Group's results or other parameters such as the level of achievement of budgeted targets, and it shall not accrue or it will accrue in a reduced amount, should certain level of profits and capital ratios not be achieved.
- 60% of the Annual Variable Remuneration will be paid, if conditions are met, in the year following that to which it corresponds (the "Upfront Portion"). For executive directors, members of the Senior Management and Identified Staff members with particularly high variable remuneration, the Upfront Portion will be 40% of the Annual Variable Remuneration. The remaining portion will be deferred in time (hereinafter, the "Deferred Component") for a 5 year-period for executive directors and members of the Senior Management, and 3 years for the remaining Identified Staff.
- 50% of the Annual Variable Remuneration, both the Upfront Portion and the Deferred Component, shall be established in BBVA shares. As regards executive directors and Senior Management, 60% of the Deferred Component shall be established in shares.
- Shares received as Annual Variable Remuneration shall be withheld for a one-year period after delivery, except for the transfer of those shares required to honor the payment taxes.
- The Deferred Component of the Annual Variable Remuneration may be reduced in its entirety, but never increased, based on the result of multi-year performance indicators aligned with the Group's core risk management and control metrics related to the solvency, capital, liquidity, profitability or to the share performance and the recurring results of the Group.
- Resulting cash portions of the Deferred Component of Annual Variable Remuneration and subject to the multi-year performance indicators, finally delivered, shall be updated following the Consumer Price Index (CPI), measured as the year-on-year change prices, as agreed by the Board of Directors.
- The entire Annual Variable Remuneration shall be subject to *malus* and *clawback* arrangements during the whole deferral and withholding period, both linked to a downturn in the financial performance of the Bank as a whole, of a specific unit or area, or of exposure generated by an Identified Staff member, when such a downturn in financial performance arises from any of the circumstances expressly named in the remuneration policies.
- No personal hedging strategies or insurances shall be used in connection with remuneration or liability that may undermine the effects of alignment with sound risk management.
- The variable component of the remuneration for a financial year shall be limited to a maximum amount of 100% of the fixed component of the total remuneration, unless the General Meeting resolves to increase this percentage up to a maximum of 200%.

In this regard, the General Meeting held on March, 15, 2019 resolved to increase this limit to a maximum level of 200% of the fixed component of the total remuneration for a given number of the Identified Staff members, in the terms indicated in the report issued for this purpose by the Board of Directors dated February 11, 2019.

According to the settlement and payment scheme indicated, during 2019, a total amount of 2,617,174 BBVA shares corresponding to the Upfront Portion of 2018 Annual Variable Remuneration has been delivered to the Identified Staff.

Additionally, according to the Remuneration Policy applicable in 2015, during 2019 a total amount of 2,287,994 BBVA shares corresponding to the Deferred Component of 2015 Variable Remuneration has been delivered to the Identifies Staff. This amount has been subject to a downward adjustment due to the multi-year performance evaluation of one of the long-time indicators, relative TSR, which scale has determined a downward adjustment of the Deferred Component linked to this indicator in a 10%.

Likewise, the aforesaid policy established that the deferred amounts in shares of the Annual Variable Remuneration finally vested, subject to multi-year performance indicators, will be updated in cash, based on the terms established by the Board of Directors. In this regard, during 2019 a total amount of 1,921,912 euros has been delivered to the Identified Staff as updates of the corresponding shares of the Deferred Component of 2015 Annual Variable Remuneration.

Detailed information on the delivery of shares to executive directors and Senior Management is included in Note 49.

39.2. Other administrative expense

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

Other administrative expense. Breakdown by main concepts (Millions of Euros)

	2019	2018
Technology and systems	649	609
Communications	47	60
Advertising	89	99
Property, fixtures and materials	140	404
Of which: rent expense (*)	*18*	*289*
Taxes	45	19
Other administration expense	517	558
Total	**1,487**	**1,749**

(*) The change is mainly due to the implementation of Circular 2/2018 on January 1, 2019 (see Note 2.15).

40. Depreciation

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

Depreciation (Millions of Euros)

	Notes	2019	2018
Tangible assets	15	362	151
For own use		135	138
Investment properties		-	13
Right-of-use assets (*)		227	
Other Intangible assets	16	311	301
Total		**673**	**452**

(*) The change is mainly due to the implementation of Circular 2/2018 on January 1, 2019 (see Note 2.15).

41. Provisions or (reversal) of provisions

In 2019 and 2018, the net provisions recognized in the income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)

	2019	2018
Pensions and other post-employment defined benefit obligations	220	136
Commitments and guarantees given	9	(85)
Other provisions	162	515
Total	**391**	**566**

42. Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification

The breakdown of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss by the nature of those assets in the accompanying income statements is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (Millions of Euros)

	Notes	2019	2018
Financial assets at fair value through other comprehensive income		(1)	(11)
Financial assets at amortized cost		254	278
Of which: recovery of written-off assets	*5.1.5*	*(791)*	*(469)*
Total		**254**	**267**

43. Impairment or (reversal) of impairment on non-financial assets and investments in subsidiaries, joint ventures or associates.

The impairment losses on non-financial assets and investments in subsidiaries, joint ventures or associates broken down by the nature of these assets in the accompanying income statements is as follows:

Impairment or reversal of impairment on Investments in subsidiaries, joint ventures or associates (Millions of Euros)

	2019	2018
Investments in subsidiaries, joint ventures or associates	889	1,537
Total	**889**	**1,537**

(*) The balance of 2019 is mainly due to the impairment in the stake in BBVA USA Bancshares, Inc., whereas the balance of 2018 is mainly due to the impairment in the stake in Garanti Bank (see Note 14).

Impairment or reversal of impairment on non-financial assets (Millions of Euros)

	Notes	2019	2018
Tangible assets		80	23
Intangible assets	16	-	-
Other assets		(2)	4
Total		**78**	**27**

44. Gains (losses) on derecognition of non-financial assets and subsidiaries, net

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

Gains (losses) on derecognition of non-financial assets and investments in subsidiaries, joint ventures and associates, net (Millions of Euros)

	2019	2018
Gains		
Disposal of investments in subsidiaries	-	2
Disposal of tangible assets and other	1	-
Losses		
Disposal of investments in subsidiaries	(1)	-
Disposal of tangible assets and other	(1)	(18)
Total	**(1)**	**(16)**

45. Gain (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

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

Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)

	Notes	2019	2018
Gains for real estate (note 14)		19	45
Of which: foreclosed		*15*	*14*
Of which: sale of buildings for own use		*4*	*31*
Impairment of non-current assets and disposal groups classified as held for sale	19	(50)	95
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (*)		-	864
Total		**(31)**	**1,004**

(*) The variation in year 2018 is mainly due to the sale of the BBVA stake in BBVA Chile (see Note 14.1)

46. Statements of cash flows

The table below shows the breakdown of the main cash flows related to financing activities as of December 31, 2019 and 2018:

Main cash flows in financing activities 2019 (Millions of Euros)

	December 31, 2019	December 31, 2018	Net Cash Flows	Foreign Exchange movements and other
Subordinated deposits	304	300		
Issuances of subordinated liabilities	10,058	10,288		
Total	**10,362**	**10,588**	**(365)**	**139**

Main cash flows in financing activities 2018 (Millions of Euros)

	December 31, 2018	December 31, 2017	Net Cash Flows	Foreign Exchange movements and other
Subordinated deposits	300	515		
Issuances of subordinated liabilities	10,288	10,372		
Total	**10,588**	**10,887**	**(365)**	**66**

47. Accountant fees and services

The details of the fees for the services contracted by BBVA for the year ended December 31, 2019 and 2018 with its auditors and other audit entities are as follows:

Fees for Audits Conducted and Other Related Services (Millions of euros) (**)

	2019	2018
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	12.6	13.2
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the Deloitte worldwide organization	0.5	0.5
Fees for audits conducted by other firms	-	-

(*) Including fees pertaining to annual legal audits (€11.1 and €11.3 million as of December 31, 2019 and December 31, 2018, respectively)
(**) Regardless of the billed period.

In addition, in 2019 and 2018, the Bank contracted services (other than audits) as follows:

Other Services Rendered (Millions of euros)	2019	2018
Firms belonging to the KPMG worldwide organization	-	0.2

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. at the date of preparation of these financial statements as follows:

Fees for Audits Conducted (*) (Millions of euros)	2019	2018
Legal audit of BBVA,S.A.	4.9	4.9
Other audit services of BBVA, S.A.	5.5	5.9
Limited Review of BBVA, S.A.	0.9	1.1
Reports related to issuances	0.3	0.3
Assurance services and other required by the regulator	0.6	0.5
Other	-	-

(*) Services provided by KPMG Auditores, S.L. to BBVA S.A., branch of BBVA in New York and branch of BBVA in London.

Information related to the services provided by KPMG AUDITORES, S.L., to companies controlled by BBVA, S.A., during the year ended December 31, 2019, is in the accompanying financial statement and dependent companies as of December 31, 2019.

The services provided by the auditors meet the independence requirements of the external auditor established under Audit of Accounts Law (Law 22/2015) and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC).

48. Related-party transactions

As a financial institution, BBVA engages in transactions with related parties in the normal course of business. These transactions are not relevant and are carried out under normal market conditions. As of December 31, 2019 and 2018 the following are the transactions with related parties:

48.1. Transactions with significant shareholders

As of December 31, 2019 and 2018 there were no shareholders considered significant (see Note 23).

48.2. Transactions with BBVA Group entities

The balances of the main captions in the accompanying balance sheets arising from the transactions carried out by the Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances arising from transactions with entities of the Group (Millions of Euros)	2019	2018
Assets		
Loans and advances to credit institutions	158	270
Loans and advances to customers	3,769	4,263
Debt securities	201	139
Liabilities		
Deposits from credit institutions	1,135	1,017
Customer deposits	8,517	5,840
Debt certificates	-	-
Memorandum accounts		
Financial guarantees given	4,230	3,656
Contingent commitments	1,275	5,846
Other commitments given	1,442	1,813

The balances of the main captions in the accompanying income statements resulting from transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances of income statement arising from transactions with entities of the Group (Millions of Euros)	2019	2018
Income statement		
Financial incomes	29	70
Financial costs	119	88
Fee and commission income	526	516
Fee and commission expense	91	72

There were no other material effects in the financial statements arising from dealings with these entities, and from the insurance policies to cover pension or similar commitments, which are described in Note 22.

In addition, as part of its normal activity, the Bank has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the financial statements.

48.3. Transactions with members of the Board of Directors and Senior Management

The amount and nature of the transactions carried out with members of the Board of Directors and Senior Management of BBVA is given below. All of these transactions belong to the Bank's normal course of business, are not material and have being carried out under normal market conditions.

As of December 31, 2019 and 2018, the amount availed against the loans granted by the Group's entities to the members of the Board of Directors amounted to €607 and €611 thousand, respectively.

As of December 31, 2019 and 2018, there were no loans granted to parties related to the members of the Board of Directors.

As of December 31, 2019 and 2018, the amount availed against the loans granted by the Group's entities to the members of Senior Management (excluding the executive directors) amounted to €4,414 and €3,783 thousand, respectively. The amount availed against the loans to parties related to members of the Senior Management on those same dates amounted to €57 and €69 thousand, respectively.

As of December 31, 2019 and 2018 no guarantees had been granted to any member of the Board of Directors.

As of December 31, 2019 and 2018, the amount availed against guarantees arranged with members of the Senior Management amounted to €10 and €38, respectively.

As of December 31, 2019, the amount availed against commercial loans and guarantees arranged with parties related to the members of the Bank's Board of Directors and the Senior Management totaled to €25 thousand. As of December 31, 2018, no commercial loans and guarantees has been granted to parties related to the members of the Bank's Board of Directors and the Senior Management.

The information on the remuneration of the members of the BBVA Board of Directors and Senior Management is included in Note 49.

48.4. Transactions with other related parties

As of December 31, 2019 and 2018 the Bank did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's net equity, net earnings and financial situation.

49. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management

Remuneration received by non-executive directors in 2019

The remunerations paid to non-executive members of the Board of Directors during the 2019 financial year are indicated below, individualized and itemized:

Remuneration for non-executive directors (Thousands of Euros)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remunerations Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other functions (1)	Total
Tomás Alfaro Drake	129				43		43		214
José Miguel Andrés Torrecillas	129		104	107		111		33	483
Jaime Caruana Lacorte	129	167	110	107			14		527
Belén Garijo López	129		68		107	45			348
Sunir Kumar Kapoor	129						43		172
Carlos Loring Martínez de Irujo	129	167		107	43				445
Lourdes Máiz Carro	129		68		43	14			253
José Maldonado Ramos	129	167				45			340
Ana Peralta Moreno	129		68		43				240
Juan Pi Llorens	129		24	214		31	43	53	493
Susana Rodríguez Vidarte	129	167		107		45			447
Jan Verplancke	129						43		172
Total (2)	**1,545**	**667**	**442**	**642**	**278**	**289**	**186**	**87**	**4,134**

(1) Amounts received during the 2019 financial year by José Miguel Andrés Torrecillas, in his capacity as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, in his capacity as Lead Director, positions for which they were appointed by resolution of the Board of Directors on 29 April 2019.

(2) This includes the amounts corresponding to the positions of the member of the Board and of the various committees during the 2019 financial year. By resolution of the Board of Directors on 29 April 2019, the functions of some Board Committees were redistributed, and their associated remunerations have been adapted to these changes in some cases.

Also, during the 2019 financial year, €104 thousand has been paid out in casualty and healthcare insurance premiums for non-executive members of the Board of Directors.

Remuneration received by executive directors in 2019

Over the course of financial year 2019, the executive directors have received the amount of the Annual Fixed Remuneration corresponding to said financial year, established for each director in the Remuneration Policy for BBVA Directors, which was approved by the General Meeting held on 15 March 2019.

In addition, the executive directors have received their Annual Variable Remuneration (AVR) for the 2018 financial year, which, in accordance with the settlement and payment system set out in the remuneration policy applicable to said year, was due to be paid to them during the 2019 financial year.

In application of this settlement and payment system:

- 40% of the 2018 Annual Variable Remuneration corresponding to executive directors has been paid in the 2019 financial year (the "Upfront Portion"); in equal parts in cash and BBVA shares.

- The remaining 60% of the Annual Variable Remuneration has been deferred (40% in cash and 60% in shares) for a period of five years, and its accrual and payment will be subject to compliance with a series of multi-year indicators (the "Deferred Portion"). The application of these indicators, calculated over the first three years of deferral, may lead to a reduction of the Deferred Portion, even in its entirety, but in no event may be increased. Provided that the relevant conditions have been met, the resulting amount will then be paid, in cash and in BBVA shares, according to the following payment schedule: 60% in 2022, 20% in 2023 and the remaining 20% in 2024.

- All the shares delivered to the executive directors as Annual Variable Remuneration, both as part of the Upfront Portion and the Deferred Portion, will be withheld for a period of one year after their delivery; this will not apply to those shares transferred to honor the payment of taxes arising therefrom.

- The Deferred Portion of the Annual Variable Remuneration payable in cash will be subject to updating under the terms established by the Board of Directors.

- Executive directors may not use personal hedging strategies or insurance in connection with the remuneration and responsibility that may undermine the effects of alignment with prudent risk management.

- The variable component of the remuneration for executive directors corresponding to the 2018 financial year is limited to a maximum amount of 200% of the fixed component of the total remuneration, as agreed by the General Shareholders' Meeting held that financial year.

- Over the entire deferral and withholding period, the Annual Variable Remuneration for the executive directors will be subject to variable remuneration reduction and recovery arrangements ("malus" and "clawback").

Additionally, upon receipt of the shares, executive directors will not be allowed to transfer a number equivalent to twice their Annual Fixed Remuneration for at least three years after their delivery.

Similarly, in accordance with the Remuneration Policy for BBVA Directors applicable in 2015 and in application of the settlement and payment system of the Annual Variable Remuneration for said financial year, the Group Executive Chairman and the executive director Head of Global Economics & Public Affairs ("Head of GE&PA") have received in 2019 the deferred Annual Variable Remuneration for the 2015 financial year, delivery of which was due that year (50% of the Annual Variable Remuneration), after being adjusted downwards following the result of the TSR indicator. This remuneration has been paid in equal parts in cash and in shares, together with the corresponding update in cash, thus concluding payment of the Annual Variable Remuneration to the executive directors for the 2015 financial year.

In accordance with the above, the remunerations paid to executive directors during the 2019 financial year are indicated below, individualized and itemized:

Annual Fixed Remuneration for 2019 (thousands of euro)

Group Executive Chairman	2,453
Chief Executive Officer	2,179
Director de GE&PA	834
Total	**5,466**

In addition, in accordance with the current Remuneration Policy for BBVA Directors, during the 2019 financial year, the Chief Executive Officer (Consejero Delegado) has received the corresponding amounts of fixed remuneration for the concepts of cash in lieu of pension, given that he does not have a retirement pension (see the Pension Commitments section of this Note), and mobility allowance. The Bank therefore paid the Chief Executive Officer the amount of € 654 thousand and € 506 thousand, respectively, for these concepts during the 2019 financial year.

Annual Variable Remuneration for 2018

	In cash (1) (thousands of euro)	**In shares (1)**
Group Executive Chairman	479	100,436
Chief Executive Officer (2)	200	41,267
Head of GE&PA	79	16,641
Total	**758**	**158,344**

(1) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2018 (50% in cash and 50% in BBVA shares). For the Group Executive Chairman and Chief Executive Officer, this Annual Variable Remuneration is linked to their previous positions as Chief Executive Officer and *President & CEO* of BBVA USA, respectively.

(2) Remuneration received in US dollars. Data in thousands of euro is for information purposes.

Deferred Annual Variable Remuneration for 2015

	In cash (1) (thousands of euro)	In shares (1)
Group Executive Chairman	612	79,157
Head of GE&PA	113	14,667
Total	**725**	**93,824**

(1) Remunerations corresponding to deferred AVR for financial year 2015 (50% of the AVR for 2015, in equal parts cash and shares), payment of which was due in 2019, together with its corresponding update in cash, and after its downward adjustment following the result of the TSR indicator. For the Group Executive Chairman, this variable remuneration relates to his previous position as Chief Executive Officer.

In addition, the executive directors received remuneration in kind throughout financial year 2019, including insurance premiums and others, amounting to a total of €411 thousand, of which €184 thousand correspond to the Group Executive Chairman, €144 thousand to the Chief Executive Officer and €83 thousand to the executive director Head of GE&PA.

Remuneration received by Senior Management in 2019

During the 2019 financial year, the members of Senior Management, excluding executive directors, have received the amount of the Annual Fixed Remuneration corresponding to that financial year.

In addition, they have received the Annual Variable Remuneration for financial year 2018, which, in accordance with the settlement and payment system set out in the remuneration policy applicable for said financial year, was due to be paid to them during financial year 2019.

Under this settlement and payment system, the same rules as set out above for executive directors are applicable. This includes, among others: 40% of the Annual Variable Remuneration, in equal parts in cash and in BBVA shares, will be paid in the financial year following the year to which it corresponds (the "Upfront Portion"), and the remaining 60% will be deferred (40% in cash and 60% in shares) for a five-year period, with its accrual and payment being subject to compliance with a series of multi-year indicators (the "Deferred Portion"), applying the same payment schedule established for executive directors; the shares received will be withheld for a period of one year (this will not apply to those shares transferred to honor the payment of taxes arising therefrom); senior management may not use personal hedging strategies or insurance in connection with remuneration; the variable component of the remuneration for Senior Management corresponding to financial year 2018 is limited to a maximum amount of 200% of the fixed component of the total remuneration; and over the entire deferral and withholding period, the Annual Variable Remuneration will be subject to reduction and recovery ("malus" and "clawback") arrangements.

Similarly, in accordance with the Remuneration Policy for BBVA Directors applicable in 2015 and in application of the settlement and payment system of the Annual Variable Remuneration for said financial year, the members of the Senior Management who were beneficiaries of such remuneration, have received in 2019 the deferred portion of the Annual Variable Remuneration for financial year 2015, after being adjusted downwards following the result of the TSR indicator, in equal parts in cash and in shares, along with its update in cash, concluding the payment of this remuneration to the members of the Senior Management.

In accordance with the above, the remuneration paid to all members of the Senior Management as a whole, who held that position as at 31 December 2019 (15 members), excluding executive directors, during the 2019 financial year, is indicated below (itemized):

Annual Fixed Remuneration for 2019 (thousands of euros)

Senior Management total	13,883

Annual Variable Remuneration for 2018

	In cash (thousands of euro)	In shares
Senior Management total	887	185,888

(1) Remunerations corresponding to the Upfront Portion (40%) of the AVR for financial year 2018 (50% in cash and 50% in BBVA shares). For those members of the Senior Management who were appointed by the Board of Directors on 20 December 2018 and 29 April, 30 July and 19 December 2019, this remuneration relates to their previous positions.

Annual Variable Remuneration for 2015

	In cash (thousands of euro)	In shares
Senior Management total	1,263	163,215

(1) Remunerations corresponding to deferred AVR for financial year 2015 (50% of the AVR for 2015, in equal parts cash and shares), payment of which was due in 2019, together with its corresponding update in cash, and after its downward adjustment following the result of the TSR indicator.

In addition, all members of Senior Management, excluding executive directors, received remuneration in kind throughout the 2019 financial year, including insurance premiums and others, amounting to a total of €769 thousand.

Remuneration of executive directors due in 2020 and subsequent financial years

- **Annual Variable Remuneration for executive directors for the 2019 financial year**

Following year-end 2019, the Annual Variable Remuneration for executive directors corresponding to said period has been determined, applying the conditions set out in the Remuneration Policy for BBVA Directors approved by the General Meeting on 15 March 2019. As in the case of previous financial years, the following settlement and payment system applies to this remuneration:

- The Upfront Portion (40% of the 2019 Annual Variable Remuneration) will be paid, provided that the conditions are met, in equal parts in cash and in shares, during the first quarter of 2020, which amounts to €636 thousand and 126,470 BBVA shares in the case of the Group Executive Chairman; €571 thousand and 113,492 BBVA shares in the case of the Chief Executive Officer and €75 thousand and 14,998 BBVA shares in the case of the Head of GE&PA.

- The remaining 60% of the 2019 Annual Variable Remuneration will be deferred (40% in cash and 60% in shares) over a five-year period (Deferred Portion), subject to compliance with the multi-year performance indicators determined by the Board of Directors at the start of financial year 2019; this may lead to a reduction in the Deferred Portion, even in its entirety, but in no event may be increased. These multi-year performance indicators will be calculated over the first three years of deferral, and provided that the relevant conditions have been met, the resulting amount will then be paid, in cash and in BBVA shares, according to the following payment schedule: 60% after the third year of deferral; 20% after the fourth year of deferral; and the remaining 20% after the fifth year of deferral. All the above is subject to the settlement and payment system set out in the Remuneration Policy for BBVA Directors, which includes, among others, malus and clawback arrangements and retention periods for shares.

The amounts corresponding to deferred shares are detailed in the section "Other capital instruments – Remunerations based on Capital Instruments" and the cash part in "Other Liabilities/Other Accruals" in the consolidated balance sheet at 31 December 2019.

- **Deferred Annual Variable Remuneration of executive directors for financial year 2016**

Following year-end 2019, the deferred Annual Variable Remuneration of executive directors for financial year 2016 (50%) has been determined, with delivery, if conditions are met, during financial year 2020, subject to the conditions established for this purpose in the remuneration policy applicable in that financial year.

Thus, based on the result of each of the multi-year performance indicators set by the Board in 2016 to calculate the deferred portion of this remuneration, and in application of the corresponding scales of achievement and their corresponding targets and weightings, the final amount of the deferred Annual Variable Remuneration for financial year 2016 has been determined, following the corresponding downward adjustment as a consequence of the result of the TSR indicator. As a result, the remuneration, including the corresponding adjustments, has been determined in an amount of €656 thousand and 89,158 BBVA shares in the case of the Group Executive Chairman; €204 thousand and 31,086 BBVA shares in the case of the Chief Executive Officer; and €98 thousand and 13,355 BBVA shares in the case of the Head of GE&PA. With these amounts paid, there will be no more outstanding payments due to the executive directors in respect of Annual Variable Remuneration for the 2016 financial year.

Lastly, as at year-end 2019, in addition to the abovementioned Deferred Portion of the Annual Variable Remuneration of executive directors for financial year 2019 and in accordance with the conditions established in the remuneration policies applicable in previous years, 60% of the annual variable remuneration corresponding to financial years 2017 and 2018 has been deferred to be received by the executive directors in future years if the applicable conditions are met.

Remuneration of Senior Management due in 2020 and subsequent financial years

- **Annual Variable Remuneration of Senior Management for financial year 2019**

Following year-end 2019, the Annual Variable Remuneration of Senior Management corresponding to said financial year has been determined (15 members as at 31 December 2019, excluding executive directors). The Annual Variable Remuneration for all members of the Senior Management, excluding executive directors, has been determined to be a combined total amount of €6,363 thousand.

The 2019 Annual Variable Remuneration for each member of Senior Management will be paid in accordance with the settlement and payment system applicable in each case and in accordance with the provisions of the BBVA Group's Remuneration Policy, in the first quarter of 2020, if the applicable conditions are met, amounting to a total of €1,291 thousand and 257,907 BBVA shares (Upfront Portion). The remaining amount will be deferred and subject to the remaining conditions of the settlement and payment system of applicable Annual Variable Remuneration.

- **Determination of the Deferred Annual Variable Remuneration of Senior Management for financial year 2016**

Following year-end 2019, the deferred Annual Variable Remuneration of Senior Management (15 members as at 31 December 2019, excluding executive directors) for financial year 2016 has been determined, with delivery, if conditions are met, during financial year 2020, subject to the conditions established for this purpose in the applicable remuneration policy.

Thus, based on the result of each of the multi-year performance indicators set by the Board in 2016 to calculate the deferred portion of this remuneration, and in application of the corresponding scales of achievement and their corresponding targets and weightings, the final amount of the deferred portion of the Annual Variable Remuneration for members of the Senior Management for financial year 2016 has been determined, following the corresponding downward adjustment as a consequence of the result of the TSR indicator. The combined total amount, excluding executive directors, has been determined to be €1,277 thousand and 196,899 BBVA shares, including the corresponding updates. With these amounts paid, there will be no more outstanding payments due to the Senior Management in respect of Annual Variable Remuneration for the 2016 financial year.

Lastly, in addition to the abovementioned Deferred Portion of the Annual Variable Remuneration for financial year 2019, as at year-end 2019 and in accordance with the conditions established in the remuneration policies applicable in the corresponding years, 60% of the annual variable remuneration corresponding to financial years 2017 and 2018 has been deferred to be received by the members of the Senior Management in future years if the applicable conditions are met.

Remuneration system with deferred delivery of shares for non-executive directors

BBVA has a remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the General Shareholders' Meeting held on 18 March 2006 and extended by resolutions of the General Meetings held on 11 March 2011 and 11 March 2016 for an additional period of five years in each case.

This system involves the annual allocation to non-executive directors of a number of "theoretical shares" of BBVA equivalent to 20% of the total remuneration received in cash by each director in the previous financial year. This is calculated according to the average closing prices of BBVA shares during the 60 trading sessions prior to the dates of the Annual General Shareholders' Meetings that approve the corresponding annual financial statements for each financial year.

These shares will be delivered to each beneficiary, where applicable, after they leave their positions as directors for reasons other than serious breach of their duties.

The "theoretical shares" allocated in financial year 2019 to non-executive director beneficiaries of the remuneration system in shares with deferred delivery, corresponding to 20% of the total remuneration in cash received by each of them in financial year 2018, are as follows:

	Theoretical shares allocated in 2019	Theoretical shares accumulated as at 31 December 2019
Tomás Alfaro Drake	10,138	93,587
José Miguel Andrés Torrecillas	19,095	55,660
Jaime Caruana Lacorte	9,320	9,320
Belén Garijo López	12,887	47,528
Sunir Kumar Kapoor	6,750	15,726
Carlos Loring Martínez de Irujo	17,515	116,391
Lourdes Máiz Carro	11,160	34,320
José Maldonado Ramos	15,328	94,323
Ana Peralta Moreno	5,624	5,624
Juan Pi Llorens	17,970	72,141
Susana Rodríguez Vidarte	17,431	122,414
Jan Verplancke	5,203	5,203
Total	**148,421**	**672,237**

Pension commitments with directors and Senior Management

The Bank has not made pension commitments with non-executive directors.

With regard to the Group Executive Chairman, the Remuneration Policy for BBVA Directors establishes a pension framework whereby he is eligible, provided that he does not leave his position as a result of serious breach of duties, to receive a retirement pension, paid in either income or capital, when he reaches the legally established retirement age. The amount of this pension will be determined by the annual contributions made by the Bank, together with their corresponding accumulated yields at that date.

The annual contribution to cover the retirement contingency in the Group Executive Chairman's defined-contribution system, as established in the Remuneration Policy for BBVA Directors, was determined as a result of the conversion of his previous defined-benefit rights into a defined-contribution system, in the annual amount of €1,642 thousand. The Board of Directors may update this amount during the term of the Policy, in the same way and under the same terms as it may update the Annual Fixed Remuneration.

15% of the aforementioned agreed annual contribution will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the Remuneration Policy for BBVA Directors.

In the event the contractual relationship terminates he reaches the retirement age for reasons other than serious breach of duties, the retirement pension due to the Group Executive Chairman upon reaching the legally established retirement age will be calculated based on the funds accumulated through the contributions made by the Bank under the terms set out, up to that date, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank in any event from the time of termination.

With respect to the commitments to cover the contingencies for death and disability benefits for the Group Executive Chairman, the Bank will undertake the payment of the corresponding annual insurance premiums in order to top up the coverage of these contingencies.

In line with the above, during the 2019 financial year, €1,919 thousand was recorded to meet the pension commitments for the Chairman. This amount includes the contribution to the retirement contingency (€1,642 thousand) and the payment of premiums for the death and disability contingencies (€278 thousand), as well as the negative adjustment of €1 thousand for discretionary pension benefits for the 2018 financial year, which were declared at 2018 year-end and had to be registered in the accumulated fund in 2019.

On 31 December 2019, the total accumulated amount of the fund to meet the retirement commitments for the Group Executive Chairman was €21,582 thousand.

With regard to the agreed annual contribution to the retirement contingency corresponding to 2019 financial year, 15% (€246 thousand) has been registered in that year as "discretionary pension benefits". Following year-end 2019, this amount has been adjusted according to the criteria established to determine the Group Executive Chairman's Annual Variable Remuneration for 2019. Accordingly, the "discretionary pension benefits" for the 2019 financial year have been determined in an amount of €261 thousand, which will be included in the accumulated fund for financial year 2020, subject to the same conditions as the Deferred Portion of Annual Variable Remuneration for financial year 2019, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

With regard to the Chief Executive Officer, in accordance with the provisions of the current Remuneration Policy for BBVA Directors and his contract, the Bank has not made any retirement commitments, although he is entitled to an annual cash sum instead of a retirement pension (cash in lieu of pension), equivalent to 30% of his Annual Fixed Remuneration. The Bank has also made pension commitments to cover the death and disability contingencies, for which purpose the corresponding annual insurance premiums will be paid.

In accordance with the above, in the 2019 financial year the Bank has paid to the Chief Executive Officer the amount of fixed remuneration as cash in lieu of pension set out in the Remuneration received by executive directors in 2019 section of this Note. Furthermore, €141 thousand was recorded for the payment of the annual insurance premiums to cover the death and disability contingencies.

For the executive director Head of GE&PA, the pension system provided for in the Remuneration Policy for BBVA Directors establishes an annual contribution of 30% of the Head of GE&PA's Annual Fixed Remuneration, to cover the retirement contingency. 15% of the aforementioned agreed annual contribution will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the policy.

The executive director Head of GE&PA, upon reaching retirement age, will be entitled to receive, in the form of capital or income, the benefits arising from contributions made by the Bank to cover pension commitments, plus the corresponding yield accumulated up to that date, provided the executive director Head of GE&PA does not leave said position due to serious breach of duties. In the event of voluntary termination of contractual relationship by the director before retirement, the benefits will be limited to 50% of the contributions made by the Bank up to that date, as well as the corresponding accumulated yield, with no additional contributions to be made by the Bank in any event upon termination of the contractual relationship.

With respect to the commitments to cover the contingencies for death and disability benefits for the executive director Head of GE&PA, the Bank will undertake the payment of the corresponding annual insurance premiums in order to top up the coverage under their pension system.

In line with the above, during the 2019 financial year, €404 thousand has been recorded to meet the pension commitments for the executive director Head of GE&PA. This amount includes the contribution to the retirement contingency (€250 thousand) and the payment of premiums to cover the death and disability contingency (€150 thousand), as well as €4 thousand corresponding to the adjustment made to the amount of "discretionary pension benefits" for financial year 2018, as declared at 2018 year-end and which had to be registered in the accumulated fund in 2019.

As at 31 December 2019, the total accumulated amount of the fund to meet retirement commitments for the executive director Head of GE&PA amounts to €1,404 thousand.

With regard to the annual contribution agreed to retirement, 15% (€38 thousand) has been registered in 2019 as "discretionary pension benefits" and following year-end 2019, this amount has been adjusted according to the criteria established to determine the executive director Head of GE&PA's Annual Variable Remuneration for 2019. Accordingly, the "discretionary pension benefits" for the financial year have been determined in an amount of €40 thousand, which will be included in the accumulated fund for financial year 2020, subject to the same conditions as the Deferred Portion of Annual Variable Remuneration for financial year 2019, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

In addition, during the 2019 financial year, €3,281 thousand has been recorded to meet the pension commitments for members of the Senior Management (15 members holding that position as at 31 December 2019, excluding executive directors). This amount includes both the contribution to the retirement contingency (€2,656 thousand) and the payment of premiums to cover the death and disability contingencies (€627 thousand), as well as the negative adjustment of €2 thousand for discretionary pension benefits for the 2018 financial year, as declared at 2018 year-end, and which had to be registered in the accumulated fund in 2019.

At 31 December 2019, the total accumulated amount of the fund to meet the retirement commitments for members of the Senior Management amounts to €20,287 thousand.

15% of the agreed annual contributions for members of the Senior Management to cover retirement contingencies will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the remuneration policy applicable to members of the Senior Management.

Accordingly, with regard to the agreed annual contribution agreed to retirement, €389 thousand has been registered as "discretionary pension benefits" during the 2019 financial year and following year-end 2019, this amount has been adjusted according to the criteria established to determine Senior Management's Annual Variable Remuneration for 2019. Accordingly, the "discretionary pension benefits" for members of the Senior Management for the financial year have been determined in an amount of €402 thousand, which will be included in the accumulated fund for financial year 2020, subject to the same conditions as the Deferred Portion of Annual Variable Remuneration for financial year 2019, as well as the remaining conditions established for these benefits in the remuneration policy applicable to members of the Senior Management.

Payments for the termination of the contractual relationship

In accordance with the Remuneration Policy for BBVA Directors, the Bank has no commitments to pay severance payments to executive directors.

With regard to Senior Management, excluding executive directors, the Bank has paid out a total of €8,368 thousand during financial year 2019, resulting from the termination of the contractual relationship with four senior managers with an average length of service in the Group of 25 years, in execution of their contracts. These contracts include the right to receive legal indemnity, provided that termination of their contract is not due to voluntary leave, retirement, disability or serious breach of their duties. The amount of this pay will be calculated in accordance with the provisions of applicable labor regulations. In some cases, the contracts also include the right to an additional amount to the legal indemnity, which will be considered variable remuneration in accordance with the solvency regulations that applies to this group, as well as notice clauses.

In line with the above, as at 31 December 2019, €1,199 thousand is pending payment and will be paid, if conditions are met, in accordance with the same schedule and regulations of the settlement and payment system applicable to the Annual Variable Remuneration for financial year 2019, as established in the remuneration policy applicable to members of Senior Management.

All these payments comply with the conditions set out in the regulations applicable to the group of employees with a material impact on the Group's risk profile, to which senior managers belong.

50. Other information

50.1 Environmental impact

Given the activities the Bank engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial situation and profits. Consequently, as of December 31, 2019, there is no item included that requires disclosure in an environmental information report pursuant to Ministry JUS/471/2018, of March 21, by which the new model for the presentation in the Commercial Register of the consolidated annual accounts of the subjects obliged to its publication is approved.

50.2 Breakdown of agents of credit institutions

Appendix XIII contains a list of the Bank's agents as required by article 21 of Royal Decree 84/2015, dated February 13, of the Ministry of Economy and Finance.

50.3 Report on the activity of the Customer Care Service and the Customer Ombudsman

The report on the activity of the Customer Care Service and the Customer Ombudsman, required pursuant to Article 17 of Ministry of Economy Order ECO/734/2004 dated March 11, is included in the Management Report accompanying these financial statements.

50.4 Mortgage market policies and procedures

The disclosure required by Bank of Spain Circular 5/2011 under the provisions of Spanish Royal Decree 716/2009, of April 24, (implementing certain aspects of Act 2/1981, of March 25, on the regulation of the mortgage market and other mortgage and financial market regulations) is detailed in Appendix X.

50.5 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid

The table below presents the dividends per share paid in cash in 2019 and 2018 (cash basis accounting, regardless of the year in which they are accrued), but not including other shareholder remuneration such as the "Dividend Option". For a complete analysis of all remuneration awarded to shareholders in 2018 and 2017 (see Note 3).

Dividends Paid ("Dividend Option" not included)

	2019			2018		
	% Over Nominal	Euros per Share	Amount (Millions of Euros)	% Over Nominal	Euros per share	Amount (Millions of Euros)
Ordinary shares	53.06%	0.26	1,734	51.02%	0.25	1,667
Rest of shares	-	-	-	-	-	-
Total dividends paid in cash	**53.06%**	**0.26**	**1,734**	**51.02%**	**0.25**	**1,667**
Dividends with charge to income	53.06%	0.26	1,734	51.02%	0.25	1,667
Dividends with charge to reserve or share premium	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-

Interest income by geographical area

The breakdown of the balance under the heading "Interest Income and other income" in the accompanying income statements by geographical area is as follows:

Interest income. Breakdown by geographical area (Millions of Euros)	Notes	2019	2018
Domestic		4,430	4,418
Foreign		581	459
European Union		*209*	*198*
Eurozone		*162*	*154*
No Eurozone		*47*	*44*
Rest of countries		*372*	*261*
Total	**33.1**	**5,011**	**4,877**

Average number of employees

The breakdown of the average number of employees in the Bank in 2019 and 2018, by gender, is as follows:

Average number of employees	2019		2018	
	Male	Female	Male	Female
Management team	799	250	801	246
Other line personnel	10,577	10,861	10,851	10,962
Clerical staff	1,014	1,612	1,121	1,697
General services	-	-	-	-
Branches abroad	561	439	367	249
Total	**12,952**	**13,162**	**13,141**	**13,153**

During 2019 and 2018, the average number of handicap employees with disabilities greater than or equal to 33% was 148 employees and 215, respectively.

50.6. Responsible lending and consumer credit granting

BBVA has incorporated the best practices of responsible lending and credit granting to Retail Customers, and has policies and procedures that contemplate these practices complying with the provisions of the Central Bank of Spain and the Ministry of Economy and Finance.

Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Board of Directors of the Bank on September 18, 2019) and the Rules and the Operating Frameworks derived from it, establish policies, practices and procedures in relation to responsible granting of loans and credit to Retail Customers.

In compliance with the different Regulation of the Bank of Spain of Economy and Finance, the following summary of those policies contained in the Corporate Retail Credit Risk Policy BBVA is provided:

- The need to adapt payment plans with sources of payment capacity;
- The evaluation requirements of affordability;
- The need when applicable, to take into account the existing financial obligations payments;
- In cases where, for commercial reasons or the type of rate/currency, the offer to the borrowers includes contractual clauses or contracting financial products to hedge interest rate and exchange rate risks.
- The need, when there is collateral, to establish a reasonable relationship between the amount of the loan and its potential extensions and value of collateral, regardless revaluations thereof;
- The need for extreme caution in the use of appraisal values on credit operations that have real estate as an additional borrower's personal guarantee;
- The periodic review of the value of collateral taken to hedge loans;
- A number of elements of management in order to ensure independence in the activity of appraisal companies;

- The need to warn customers of potential consequences in terms of cost by default interest and other expenses that would continue in default;
- Debt renegotiation criteria (refinancing and restructurings);
- The minimum documentation that operations should have in order to be granted and during its term.

In order to maintain an effective monitoring of these policies, BBVA has the following control mechanisms:

- Validations and computer controls built into the workflows of analysis, decision and contracting operations, in order to embed these principles in management;
- Alignment between the specifications of the product catalog with the policies of responsible lending;
- Different areas of sanction to ensure adequate hierarchy decision levels in response to the complexity of operations;
- A reporting scheme that allows to monitor the proper implementation of the policies of responsible lending.

51. Subsequent events

On January 31, 2020 it was announced that it was foreseen to submit to the consideration of the corresponding government bodies the proposal of cash payment in a gross amount of euro 0.16 per share to be paid in April as final dividend for 2019 (see Note 3).

From January 1, 2020 to the date of preparation of these Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group’s earnings or its equity position

52. Explanation added for translation into English

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks).

Appendices

BBVA
Creating Opportunities

APPENDIX I. BBVA Group Consolidated Financial Statements

Consolidated balance sheets as of December 31, 2019, 2018 and 2017

ASSETS (Millions of Euros)

	2019	2018 (*)	2017 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**44,303**	**58,196**	**42,680**
FINANCIAL ASSETS HELD FOR TRADING	**102,688**	**90,117**	**64,695**
Derivatives	33,185	30,536	35,265
Equity instruments	8,892	5,254	6,801
Debt securities	26,309	25,577	22,573
Loans and advances to central banks	535	2,163	-
Loans and advances to credit institutions	21,286	14,566	-
Loans and advances to customers	12,482	12,021	56
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**5,557**	**5,135**	
Equity instruments	4,327	3,095	
Debt securities	110	237	
Loans and advances to central banks	-	-	
Loans and advances to credit institutions	-	-	
Loans and advances to customers	1,120	1,803	
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,214**	**1,313**	**2,709**
Equity instruments			1,888
Debt securities	1,214	1,313	174
Loans and advances to customers	-	-	648
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**61,183**	**56,337**	**69,476**
Equity instruments	2,420	2,595	3,224
Debt securities	58,731	53,709	66,251
Loans and advances to credit institutions	33	33	-
FINANCIAL ASSETS AT AMORTIZED COST	**439,162**	**419,660**	**445,275**
Debt securities	38,877	32,530	24,093
Loans and advances to central banks	4,275	3,941	7,300
Loans and advances to credit institutions	13,649	9,163	26,261
Loans and advances to customers	382,360	374,027	387,621
DERIVATIVES - HEDGE ACCOUNTING	**1,729**	**2,892**	**2,485**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**28**	**(21)**	**(25)**
JOINT VENTURES AND ASSOCIATES	**1,488**	**1,578**	**1,588**
Joint ventures	154	173	256
Associates	1,334	1,405	1,332
INSURANCE AND REINSURANCE ASSETS	**341**	**366**	**421**
TANGIBLE ASSETS	**10,068**	**7,229**	**7,191**
Properties, plant and equipment	9,816	7,066	6,996
For own use	9,554	6,756	6,581
Other assets leased out under an operating lease	263	310	415
Investment properties	252	163	195
INTANGIBLE ASSETS	**6,966**	**8,314**	**8,464**
Goodwill	4,955	6,180	6,062
Other intangible assets	2,010	2,134	2,402
TAX ASSETS	**17,083**	**18,100**	**16,888**
Current tax assets	1,765	2,784	2,163
Deferred tax assets	15,318	15,316	14,725
OTHER ASSETS	**3,800**	**5,472**	**4,359**
Insurance contracts linked to pensions	-	-	-
Inventories	581	635	229
Other	3,220	4,837	4,130
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**3,079**	**2,001**	**23,853**
TOTAL ASSETS	**698,690**	**676,689**	**690,059**

(*) Presented for comparison purposes only.

BBVA
Creating Opportunities

Consolidated balance sheets as of December 31, 2019, 2018 and 2017

LIABILITIES AND EQUITY (Millions of Euros)

	2019	2018 (*)	2017 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**89,633**	**80,774**	**46,182**
Derivatives	35,019	31,815	36,169
Short positions	12,249	11,025	10,013
Deposits from central banks	7,635	10,511	-
Deposits from credit institutions	24,969	15,687	-
Customer deposits	9,761	11,736	-
Debt certificates issued	-	-	-
Other financial liabilities	-	-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**10,010**	**6,993**	**2,222**
Deposits from central banks	-	-	-
Deposits from credit institutions	-	-	-
Customer deposits	944	976	-
Debt certificates	4,656	2,858	-
Other financial liabilities	4,410	3,159	2,222
Memorandum item: Subordinated liabilities	-	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**516,641**	**509,185**	**543,713**
Deposits from central banks	25,950	27,281	37,054
Deposits from credit institutions	28,751	31,978	54,516
Customer deposits	384,219	375,970	376,379
Debt certificates	63,963	61,112	63,915
Other financial liabilities	13,758	12,844	11,850
Memorandum item: Subordinated liabilities	*18,018*	*18,047*	*17,316*
DERIVATIVES - HEDGE ACCOUNTING	**2,233**	**2,680**	**2,880**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**-**	**-**	**(7)**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**10,606**	**9,834**	**9,223**
PROVISIONS	**6,538**	**6,772**	**7,477**
Pensions and other post-employment defined benefit obligations	4,631	4,787	5,407
Other long term employee benefits	61	62	67
Provisions for taxes and other legal contingencies	677	686	756
Commitments and guarantees given	711	636	578
Other provisions	457	601	669
TAX LIABILITIES	**2,808**	**3,276**	**3,298**
Current tax liabilities	880	1,230	1,114
Deferred tax liabilities	1,928	2,046	2,184
OTHER LIABILITIES	**3,742**	**4,301**	**4,550**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**1,554**	**-**	**17,197**
TOTAL LIABILITIES	**643,765**	**623,814**	**636,736**

(*) Presented for comparison purposes only.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BBVA Creating Opportunities

Consolidated balance sheets for the years ended December 31, 2019, 2018 and 2017

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	2019	2018 (*)	2017 (*)
SHAREHOLDERS' FUNDS	**55,958**	**54,326**	**53,283**
Capital	**3,267**	**3,267**	**3,267**
Paid up capital	3,267	3,267	3,267
Unpaid capital which has been called up	-	-	-
Share premium	**23,992**	**23,992**	**23,992**
Equity instruments issued other than capital	**-**	**-**	**-**
Other equity	**56**	**50**	**54**
Retained earnings	**26,402**	**23,076**	**23,746**
Revaluation reserves	**-**	**3**	**12**
Other reserves	**(125)**	**(58)**	**(35)**
Reserves or accumulated losses of investments in joint ventures and associates	(125)	(58)	(35)
Other	-	-	-
Less: treasury shares	**(62)**	**(296)**	**(96)**
Profit or loss attributable to owners of the parent	**3,512**	**5,400**	**3,514**
Less: Interim dividends	**(1,084)**	**(1,109)**	**(1,172)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**(7,235)**	**(7,215)**	**(6,939)**
Items that will not be reclassified to profit or loss	**(1,875)**	**(1,284)**	**(1,183)**
Actuarial gains (losses) on defined benefit pension plans	(1,498)	(1,245)	(1,183)
Non-current assets and disposal groups classified as held for sale	2	-	-
Share of other recognized income and expense of investments in joint ventures and associates	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(403)	(155)	
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-	
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-	
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-	
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	24	116	
Items that may be reclassified to profit or loss	**(5,359)**	**(5,932)**	**(5,755)**
Hedge of net investments in foreign operations (effective portion)	(896)	(218)	1
Foreign currency translation	(6,161)	(6,643)	(7,297)
Hedging derivatives. Cash flow hedges (effective portion)	(44)	(6)	(34)
Financial assets available for sale			1,641
Fair value changes of debt instruments measured at fair value through other comprehensive income	1,760	943	
Hedging instruments (non-designated items)	-	-	
Non-current assets and disposal groups classified as held for sale	(18)	1	(26)
Share of other recognized income and expense of investments in joint ventures and associates	1	(9)	(40)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**6,201**	**5,764**	**6,979**
Accumulated other comprehensive income (loss)	(3,526)	(3,236)	(2,550)
Other items	9,727	9,000	9,530
TOTAL EQUITY	**54,925**	**52,874**	**53,323**
TOTAL EQUITY AND TOTAL LIABILITIES	**698,690**	**676,689**	**690,059**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)

	2019	2018 (*)	2017 (*)
Loan commitments given	130,923	118,959	94,268
Financial guarantees given	10,984	16,454	16,545
Other commitments given	39,209	35,098	45,738

(*) Presented for comparison purposes only.

BBVA
Creating Opportunities

Consolidated income statements for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	2019	2018 (*)	2017 (*)
Interest and other income	31,061	29,831	29,296
Interest expense	(12,859)	(12,239)	(11,537)
NET INTEREST INCOME	**18,202**	**17,591**	**17,758**
Dividend income	162	157	334
Share of profit or loss of entities accounted for using the equity method	(42)	(7)	4
Fee and commission income	7,522	7,132	7,150
Fee and commission expense	(2,489)	(2,253)	(2,229)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	239	216	985
Gains (losses) on financial assets and liabilities held for trading, net	451	707	218
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	143	96	-
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(94)	143	(56)
Gains (losses) from hedge accounting, net	59	72	(209)
Exchange differences, net	586	(9)	1,030
Other operating income	671	949	1,439
Other operating expense	(2,006)	(2,101)	(2,223)
Income from insurance and reinsurance contracts	2,890	2,949	3,342
Expense from insurance and reinsurance contracts	(1,751)	(1,894)	(2,272)
GROSS INCOME	**24,542**	**23,747**	**25,270**
Administration costs	(10,303)	(10,494)	(11,112)
Personnel expense	(6,340)	(6,120)	(6,571)
Other administrative expense	(3,963)	(4,374)	(4,541)
Depreciation and amortization	(1,599)	(1,208)	(1,387)
Provisions or reversal of provisions	(617)	(373)	(745)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(4,151)	(3,981)	(4,803)
Financial assets measured at amortized cost	(4,069)	(3,980)	(3,676)
Financial assets at fair value through other comprehensive income	(82)	(1)	(1,127)
NET OPERATING INCOME	**7,872**	**7,691**	**7,222**
Impairment or reversal of impairment of investments in joint ventures and associates	(46)	-	-
Impairment or reversal of impairment on non-financial assets	(1,447)	(138)	(364)
Tangible assets	(94)	(5)	(42)
Intangible assets	(1,330)	(83)	(16)
Other assets	(23)	(51)	(306)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	(3)	78	47
Investments in subsidiaries, joint ventures and associates			
Negative goodwill recognized in profit or loss	-	-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	21	815	26
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**6,398**	**8,446**	**6,931**
Tax expense or income related to profit or loss from continuing operations	(2,053)	(2,219)	(2,174)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**4,345**	**6,227**	**4,757**
Profit (loss) after tax from discontinued operations	-	-	-
PROFIT FOR THE YEAR	**4,345**	**6,227**	**4,757**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**833**	**827**	**1,243**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**3,512**	**5,400**	**3,514**

	2019	2018 (*)	2017(*)
EARNINGS PER SHARE (Euros)	-	-	-
Basic earnings per share from continued operations	0.47	0.75	0.46
Diluted earnings per share from continued operations	0.47	0.75	0.46
Basic earnings per share from discontinued operations	-	-	-
Diluted earnings per share from discontinued operations	-	-	-

(*)Presented for comparison purposes only.

BBVA
Creating Opportunities

Statements of Recognized Income and Expenses for the year ended December 31, 2019, 2018 and 2017

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (MILLIONS OF EUROS)

	2019	2018 (*)	2017 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**4,345**	**6,227**	**4,757**
OTHER RECOGNIZED INCOME (EXPENSE)	**(310)**	**(2,523)**	**(4,439)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(584)**	**(141)**	**(91)**
Actuarial gains (losses) from defined benefit pension plans	(364)	(79)	(96)
Non-current assets and disposal groups classified as held for sale	2	-	-
Share of other recognized income and expense of entities accounted for using the equity method	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(229)	(172)	
Gains or losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-	
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(133)	166	
Income tax related to items not subject to reclassification to income statement	140	(56)	5
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**274**	**(2,382)**	**(4,348)**
Hedge of net investments in foreign operations (effective portion)	**(687)**	**(244)**	**80**
Valuation gains (losses) taken to equity	(687)	(244)	112
Transferred to profit or loss	-	-	-
Other reclassifications	-	-	(32)
Foreign currency translation	**132**	**(1,537)**	**(5,080)**
Translation gains (losses) taken to equity	113	(1,542)	(5,089)
Transferred to profit or loss	1	5	(22)
Other reclassifications	18	-	31
Cash flow hedges (effective portion)	**(109)**	**27**	**(67)**
Valuation gains (losses) taken to equity	(99)	(32)	(122)
Transferred to profit or loss	(10)	58	55
Transferred to initial carrying amount of hedged items	-	-	-
Other reclassifications	-	-	-
Available-for-sale financial assets			**719**
Valuation gains (losses) taken to equity			384
Transferred to profit or loss			347
Other reclassifications			(12)
Debt securities at fair value through other comprehensive income	**1,278**	(901)	
Valuation gains (losses) taken to equity	1,401	(766)	
Transferred to profit or loss	(122)	(135)	
Other reclassifications	-	-	
Non-current assets and disposal groups held for sale	**(19)**	**20**	**(20)**
Valuation gains (losses) taken to equity	(8)	-	-
Transferred to profit or loss	-	20	-
Other reclassifications	(11)	-	(20)
Entities accounted for using the equity method	**10**	**9**	**(14)**
Income tax relating to items subject to reclassification to income statements	**(332)**	**244**	**35**
TOTAL RECOGNIZED INCOME/EXPENSE	**4,036**	**3,704**	**318**
Attributable to minority interest (non-controlling interests)	543	(420)	127
Attributable to the parent company	3,493	4,124	191

(*)Presented for comparison purposes only.

BBVA
Creating Opportunities

Consolidated statements of changes in equity for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
2019	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other	Total
Balances as of January 1, 2019 (*)	3,267	23,992	-	50	23,017	3	(57)	(296)	5,324	(975)	(7,215)	(3,236)	9,000	52,874
Effect of changes in accounting policies	-	-	-	-	58	-	-	-	76	(134)	-	-	-	-
Adjusted initial balance	3,267	23,992	-	50	23,076	3	(57)	(296)	5,400	(1,109)	(7,215)	(3,236)	9,000	52,874
Total income/expense recognized	-	-	-	-	-	-	-	-	3,512	-	(19)	(291)	833	4,036
Other changes in equity	-	-	-	6	3,327	(3)	(68)	234	(5,400)	25	-	-	(106)	(1,985)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,059)	-	(4)	-	-	(1,084)	-	-	(142)	(2,289)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,088)	-	-	-	-	-	(1,088)
Sale or cancellation of treasury shares	-	-	-	-	13	-	-	1,322	-	-	-	-	-	1,335
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	4,360	(3)	(66)	-	(5,400)	1,109	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(4)	-	-	-	-	-	-	-	-	-	(4)
Other increases or (-) decreases in equity	-	-	-	11	14	-	1	-	-	-	-	-	36	62
Balances as of December 31, 2019	3,267	23,992	-	56	26,402	-	(125)	(62)	3,512	(1,084)	(7,235)	(3,526)	9,727	54,925

(*) Balances as of December 31, 2018 as originally reported in the consolidated Financial Statements for the year 2018.

BBVA
Creating Opportunities

Consolidated statements of changes in equity for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2018 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling interest		Total
												Accumulated other comprehensive income	Other	
Balances as of January 1, 2018 (**)	3,267	23,992	-	54	25,474	12	(44)	(96)	3,519	(1,043)	(8,792)	(3,378)	10,358	53,323
Effect of changes in accounting policies	-	-	-	-	(2,579)	-	9	-	(5)	(129)	1,756	850	(822)	(919)
Adjusted initial balance	3,267	23,992	-	54	22,895	12	(34)	(96)	3,514	(1,172)	(7,036)	(2,528)	9,536	52,404
Total income/expense recognized	-	-	-	-	-	-	-	-	5,400	-	(1,276)	(1,247)	827	3,704
Other changes in equity	-	-	-	(4)	180	(10)	(23)	(199)	(3,514)	63	1,096	540	(1,364)	(3,234)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(992)	-	(4)	-	-	(1,109)	-	-	(378)	(2,483)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,684)	-	-	-	-	-	(1,684)
Sale or cancellation of treasury shares	-	-	-	-	(24)	-	-	1,484	-	-	-	-	-	1,460
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,274	(10)	(19)	-	(3,514)	1,172	1,096	540	(540)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(19)	-	-	-	-	-	-	-	-	-	(19)
Other increases or (-) decreases in equity	-	-	-	15	(77)	-	-	-	-	-	-	-	(446)	(508)
Balances as of December 31, 2018	3,267	23,992	-	50	23,076	3	(58)	(296)	5,400	(1,109)	(7,215)	(3,236)	9,000	52,874

(*) Presented for comparison purposes only.

(**) Balances as of December 31, 2017 as originally reported in the consolidated Financial Statements for the year 2017.

BBVA
Creating Opportunities

Consolidated statements of changes in equity for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2017 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling interest: Accumulated other comprehensive income	Non-controlling interest: Other	Total
Balances as of January 1, 2017 (**)	3,218	23,992	-	54	23,688	20	(67)	(48)	3,475	(1,510)	(5,458)	(2,246)	10,310	55,428
Effect of changes in accounting policies	-	-	-	-	(1,813)	-	7	-	82	(111)	1,836	817	(817)	-
Adjusted initial balance	3,218	23,992	-	54	21,875	20	(60)	(48)	3,557	(1,621)	(3,622)	(1,429)	9,493	55,428
Total income/expense recognized	-	-	-	-	-	-	-	-	3,514	-	(3,317)	(1,122)	1,243	318
Other changes in equity	50	-	-	-	1,872	(8)	25	(48)	(3,557)	449	-	-	(1,207)	(2,423)
Issuances of common shares	50	-	-	-	(50)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	9	-	(9)	-	-	(1,029)	-	-	(290)	(1,318)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,674)	-	-	-	-	-	(1,674)
Sale or cancellation of treasury shares	-	-	-	-	1	-	-	1,626	-	-	-	-	-	1,627
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,902	(8)	41	-	(3,557)	1,621	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)
Other increases or (-) decreases in equity	-	-	-	22	9	-	(6)	-	-	(144)	-	-	(917)	(1,035)
Balances as of December 31, 2017	3,267	23,992	-	54	23,746	12	(34)	(96)	3,514	(1,172)	(6,939)	(2,551)	9,529	53,323

(*) Presented for comparison purposes only.

(**) Balances as of December 31, 2016 as originally reported in the consolidated Financial Statements for the year 2016.

BBVA
Creating Opportunities

Consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (MILLIONS OF EUROS)

	2019	2018 (*)	2017 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**(8,214)**	**9,249**	**1,722**
1. Profit for the year	**4,345**	**6,227**	**4,757**
2. Adjustments to obtain the cash flow from operating activities:	**9,582**	**7,619**	**8,531**
Depreciation and amortization	1,599	1,208	1,387
Other adjustments	7,983	6,411	7,144
3. Net increase/decrease in operating assets	**(36,747)**	**(12,094)**	**(5,227)**
Financial assets held for trading	(11,664)	1,379	5,662
Non-trading financial assets mandatorily at fair value through profit or loss	(318)	(643)	
Other financial assets designated at fair value through profit or loss	99	349	(783)
Financial assets at fair value through other comprehensive income	(3,755)	(206)	5,032
Financial assets at amortized cost	(24,119)	(12,067)	(14,836)
Other operating assets	3,010	(906)	(302)
4. Net increase/decrease in operating liabilities	**16,208**	**10,286**	**(3,916)**
Financial liabilities held for trading	8,061	(466)	(6,057)
Other financial liabilities designated at fair value through profit or loss	2,680	1,338	19
Financial liabilities at amortized cost	8,016	10,481	2,111
Other operating liabilities	(2,549)	(1,067)	11
5. Collection/Payments for income tax	**(1,602)**	**(2,789)**	**(2,423)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	**98**	**7,516**	**2,902**
1. Investment	**(1,494)**	**(2,154)**	**(2,339)**
Tangible assets	(852)	(943)	(777)
Intangible assets	(528)	(552)	(564)
Investments in joint ventures and associates	(114)	(150)	(101)
Other business units	-	(20)	(897)
Non-current assets classified as held for sale and associated liabilities	-	(489)	-
Held-to-maturity investments			-
Other settlements related to investing activities	-	-	-
2. Divestments	**1,592**	**9,670**	**5,241**
Tangible assets	128	731	518
Intangible assets	-	-	47
Investments in joint ventures and associates	98	558	18
Subsidiaries and other business units	5	4,268	936
Non-current assets classified as held for sale and associated liabilities	1,198	3,917	1,002
Held-to-maturity investments			2,711
Other collections related to investing activities	162	196	9
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(2,702)**	**(5,092)**	**(98)**
1. Payments	**(7,418)**	**(8,995)**	**(5,763)**
Dividends	(2,147)	(2,107)	(1,698)
Subordinated liabilities	(3,571)	(4,825)	(2,098)
Treasury stock amortization	-	-	-
Treasury stock acquisition	(1,088)	(1,686)	(1,674)
Other items relating to financing activities	(612)	(377)	(293)
2. Collections	**4,716**	**3,903**	**5,665**
Subordinated liabilities	3,381	2,451	4,038
Treasury shares increase	-	-	-
Treasury shares disposal	1,335	1,452	1,627
Other items relating to financing activities	-	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	**(258)**	**(2,498)**	**(4,266)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**(11,077)**	**9,175**	**261**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**54,167**	**44,992**	**44,978**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**43,090**	**54,167**	**45,239**

Components of cash and equivalent at end of the year (Millions of Euros)

	2019	2018 (*)	2017 (*)
Cash	7,060	6,346	6,220
Balance of cash equivalent in central banks	36,031	47,821	39,018
Other financial assets	-	-	-
Less: Bank overdraft refundable on demand	-	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**43,090**	**54,167**	**45,239**

(*) Presented for comparison purposes only.

(**) Equivalent cash balances at central banks includes short-term deposits at central banks under the heading "Loans and receivables" in the accompanying consolidated balance sheets.

This Appendix is an integral part of Note 1.8 of the financial statements for the year ended December 31, 2019.

APPENDIX II. Additional information on subsidiaries and structured entities composing the BBVA Group

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
ACTIVOS MACORP SL	SPAIN	REAL ESTATE	50.63	49.37	100.00	21	21	1
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	19	17	1
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	1,538	1,625	(73)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	99	71	9
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1,444	1,504	(57)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	43	42	1
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	-	100.00	100.00	27	8	(1)
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	UNITED KINGDOM	INVESTMENT COMPANY	-	100.00	100.00	4	4	(2)
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	(3)	4
APLICA NEXTGEN SERVICIOS S.A. DE C.V	MEXICO	SERVICES	-	100.00	100.00	-	-	-
APLICA TECNOLOGIA AVANZADA SA DE CV	MEXICO	SERVICES	100.00	-	100.00	203	219	8
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	872	872	-
ARRAHONA AMBIT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	12	24	(2)
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	53	114	-
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	58	64	1
ARRAHONA RENT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	11	-
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	64	79	-
ARRELS CT LLOGUER, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	5	6	-
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	22	24	-
ARRELS CT PROMOU SA	SPAIN	REAL ESTATE	-	100.00	100.00	28	37	(4)
AZLO BUSINESS, INC	UNITED STATES	SERVICES	-	100.00	100.00	5	19	(14)
BAHIA SUR RESORT S.C.	SPAIN	INACTIVE	99.95	-	99.95	-	1	-
BANCO BBVA ARGENTINA S.A.	ARGENTINA	BANKING	39.97	26.58	66.55	157	963	214
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	-	100.00	110	164	41
BANCO INDUSTRIAL DE BILBAO SA	SPAIN	BANKING	-	99.93	99.93	47	45	2
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	-
BANCO PROVINCIAL OVERSEAS NV	CURAÇAO	BANKING	-	100.00	100.00	51	45	6
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	36	132	(7)
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	79	611	16
BBVA (SUIZA) SA	SWITZERLAND	BANKING	100.00	-	100.00	98	114	7
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	-	100.00	100.00	-	0	-
BBVA ASSET MANAGEMENT SA SAF	PERU	FINANCIAL SERVICES	-	100.00	100.00	10	6	4
BBVA ASSET MANAGEMENT SA SGIIC	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	43	(58)	114
BBVA ASSET MANAGEMENT SA SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	31	21	10
BBVA AUTOMERCANTIL COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS LDA.	PORTUGAL	FINANCIAL SERVICES	100.00	-	100.00	6	4	1
BBVA BANCO CONTINENTAL SA (1)	PERU	BANKING	-	46.12	46.12	1,139	2,041	439
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	19	11	8

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% share of participation (**)			Millions of Euros (*)		
							Affiliate entity data	
			Direct	Indirect	Total	Net carrying amount	Equity excluding profit(loss) 31.12.19	Profit (loss) 31.12.19
BBVA BANCOMER OPERADORA SA DE CV	MEXICO	SERVICES	-	100.00	100.00	21	4	23
BBVA BANCOMER SA INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER	MEXICO	BANKING	-	100.00	100.00	10,124	7,549	2,244
BBVA BANCOMER SEGUROS SALUD SA DE CV	MEXICO	INSURANCES SERVICES	-	100.00	100.00	13	14	(1)
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	50	53	18
BBVA BOLSA SOCIEDAD AGENTE DE BOLSA S.A.	PERU	SECURITIES DEALER	-	100.00	100.00	5	4	1
BBVA BRASIL BANCO DE INVESTIMENTO SA	BRAZIL	BANKING	100.00	-	100.00	16	25	-
BBVA BROKER CORREDURIA DE SEGUROS Y REASEGUROS SA	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	-	10	5
BBVA BROKER SA	ARGENTINA	INSURANCES SERVICES	-	99.96	99.96	-	3	4
BBVA COLOMBIA SA	COLOMBIA	BANKING	77.41	18.06	95.47	355	1,186	229
BBVA CONSOLIDAR SEGUROS SA	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	8	21	12
BBVA CONSULTING (BEIJING) LIMITED	CHINA	FINANCIAL SERVICES	-	100.00	100.00	2	2	-
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA EDPYME SA (BBVA CONSUMER FINANCE - EDPYME)	PERU	FINANCIAL SERVICES	-	100.00	100.00	26	20	5
BBVA DATA & ANALYTICS SL	SPAIN	SERVICES	-	100.00	100.00	6	3	-
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	5	3	2
BBVA FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	231	227	2
BBVA FINANZIA SPA	ITALY	IN LIQUIDATION	100.00	-	100.00	3	4	-
BBVA FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	22	17	5
BBVA FRANCES ASSET MANAGMENT S.A. SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN.	ARGENTINA	FINANCIAL SERVICES	-	100.00	100.00	14	11	2
BBVA FUNDOS S.GESTORA FUNDOS PENSOES SA	PORTUGAL	PENSION FUNDS MANAGEMENT	100.00	-	100.00	8	6	2
BBVA GLOBAL FINANCE LTD	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	5	-
BBVA GLOBAL MARKETS BV	NETHERLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	-	-
BBVA HOLDING CHILE SA	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	139	299	54
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SPAIN	SERVICES	76.00	-	76.00	1	1	1
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO SA	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	52	3
BBVA INSURANCE AGENCY, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	47	38	9
BBVA INTERNATIONAL PREFERRED SOCIEDAD ANONIMA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	-	-
BBVA IRELAND PLC	IRELAND	FINANCIAL SERVICES	100.00	-	100.00	2	3	-
BBVA LEASING MEXICO SA DE CV	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	51	133	15
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	-	100.00	100.00	10	18	18
BBVA MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2,989	2,907	77
BBVA NEXT TECHNOLOGIES OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-
BBVA NEXT TECHNOLOGIES SLU	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	31	22	4
BBVA NEXT TECHNOLOGIES, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	2	-
BBVA OP3N S.L.	SPAIN	SERVICES	-	100.00	100.00	2	2	(1)
BBVA OPEN PLATFORM INC	UNITED STATES	SERVICES	-	100.00	100.00	3	8	(6)
BBVA PARAGUAY SA	PARAGUAY	BANKING	100.00	-	100.00	23	139	31
BBVA PENSIONES SA ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUNDS MANAGEMENT	100.00	-	100.00	13	19	8

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
BBVA PERU HOLDING SAC	PERU	INVESTMENT COMPANY	100.00	-	100.00	124	947	199
BBVA PLANIFICACION PATRIMONIAL SL	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	-	1	-
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUNDS MANAGEMENT	75.00	5.00	80.00	1	5	8
BBVA PROCESSING SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
BBVA PROCUREMENT SERVICES AMERICA DEL SUR SpA	CHILE	SERVICES	-	100.00	100.00	6	6	-
BBVA RE INHOUSE COMPAÑIA DE REASEGUROS, S.E.	SPAIN	INSURANCES SERVICES	-	100.00	100.00	39	43	-
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	206	193	13
BBVA SEGUROS COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	15	9
BBVA SEGUROS DE VIDA COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	104	34
BBVA SEGUROS SA DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	-	99.96	713	532	298
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	-	100.00	100.00	-	-	-
BBVA SOCIEDAD TITULIZADORA S.A.	PERU	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
BBVA TRADE, S.A.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	10	5	6
BBVA TRANSFER HOLDING INC	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	96	81	16
BBVA TRANSFER SERVICES INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	73	63	10
BBVA USA	UNITED STATES	BANKING	-	100.00	100.00	11,063	10,997	107
BBVA USA BANCSHARES, INC.	UNITED STATES	INVESTMENT COMPANY	100.00	-	100.00	11,424	11,755	135
BBVA VALORES COLOMBIA SA COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	-	100.00	100.00	5	5	-
BBVA WEALTH SOLUTIONS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	12	8	4
BILBAO VIZCAYA HOLDING SA	SPAIN	INVESTMENT COMPANY	89.00	11.00	100.00	41	87	15
CAIXA MANRESA IMMOBILIARIA ON CASA SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
CAIXA MANRESA IMMOBILIARIA SOCIAL SL	SPAIN	REAL ESTATE	100.00	-	100.00	4	3	-
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	1	1	-
CAIXASABADELL PREFERENTS SA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1	-
CARTERA E INVERSIONES SA CIA DE	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	92	27	77
CASA DE BOLSA BBVA BANCOMER SA DE CV	MEXICO	SECURITIES DEALER	-	100.00	100.00	46	26	21
CATALONIA GEBIRA, S.L. (IN LIQUIDATION)	SPAIN	REAL ESTATE	-	100.00	100.00	-	-	-
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
CATALUNYACAIXA CAPITAL SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	82	81	1
CATALUNYACAIXA IMMOBILIARIA SA	SPAIN	REAL ESTATE	100.00	-	100.00	321	317	-
CATALUNYACAIXA SERVEIS SA	SPAIN	SERVICES	100.00	-	100.00	2	2	-
CDD GESTIONI S.R.L.	ITALY	REAL ESTATE	100.00	-	100.00	5	10	-
CETACTIUS SL	SPAIN	REAL ESTATE	100.00	-	100.00	1	1	-
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	15	15	-
CIDESSA UNO SL	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	5	(38)	65
CIERVANA SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	53	54	-

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
CLUB GOLF HACIENDA EL ALAMO, S.L.(IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	97.87	97.87	1	1	-
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	-	50.00	50.00	-	-	-
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	-	100.00	100.00	5	4	1
COMPAÑIA CHILENA DE INVERSIONES SL	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	221	239	11
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	7,429	7,344	85
COMPASS GP, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	44	44	-
COMPASS INSURANCE TRUST	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
COMPASS LIMITED PARTNER, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,512	6,429	84
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	74	73	1
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
COMPASS SOUTHWEST, LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	5,380	5,323	66
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
CONSOLIDAR A.F.J.P SA	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	1	1	-
CONTENTS AREA, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	7	-
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	8	7	1
CORPORACION GENERAL FINANCIERA SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	510	1,433	20
COVAULT, INC	UNITED STATES	SERVICES	-	100.00	100.00	1	3	(3)
DALLAS CREATION CENTER, INC	UNITED STATES	SERVICES	-	100.00	100.00	2	4	(1)
DATA ARCHITECTURE AND TECHNOLOGY MEXICO SA DE CV	MEXICO	SERVICES	-	100.00	100.00	1	1	-
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SPAIN	SERVICES	-	51.00	51.00	-	2	-
DATA ARCHITECTURE AND TECHNOLOGY OPERADORA SA DE CV	MEXICO	SERVICES	-	100.00	100.00	-	-	-
DENIZEN FINANCIAL, INC	UNITED STATES	SERVICES	-	100.00	100.00	1	3	(2)
DENIZEN GLOBAL FINANCIAL SAU	SPAIN	PAYMENT ENTITIES	100.00	-	100.00	-	5	(3)
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
DISTRITO CASTELLANA NORTE, S.A.	SPAIN	REAL ESTATE	-	75.54	75.54	113	150	(5)
ECASA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	30	18	12
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	-	99.05	99.05	-	-	-
EL MILANILLO, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	7	7	-
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	2	3	(1)
ENTRE2 SERVICIOS FINANCIEROS E.F.C SA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	9	9	-
ESPAIS SABADELL PROMOCIONS INMOBILIARIES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	6	8	(1)
EUROPEA DE TITULIZACION SA SGFT.	SPAIN	FINANCIAL SERVICES	88.24	-	88.24	2	20	3
EXPANSION INTERCOMARCAL SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	16	17	-
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION (1)	MEXICO	REAL ESTATE	-	42.40	42.40	-	1	-
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	1	-

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% share of participation (**)			Millions of Euros (*) Affiliate entity data		
			Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
F/403035-9 BBVA HORIZONTES RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	-	-
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	3	2	-
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	50	45	5
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	-	100.00	100.00	-	-	-
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE	-	100.00	100.00	5	3	2
FIDEICOMISO INMUEBLES CONJUNTO RESIDENCIAL HORIZONTES DE VILLA CAMPESTRE	COLOMBIA	REAL ESTATE	-	100.00	100.00	1	1	-
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	-	59.99	59.99	-	2	-
FIDEICOMISO N.989 EN THE BANK OF NEW YORK MELLON SA INSTITUCION DE BANCA MULTIPLE FIDUCIARIO (FIDEIC.00989 6 EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	(3)	3
FIDEICOMISO Nº 847 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 4ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	1	1
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	-	100.00	100.00	3	2	1
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	5	6	(1)
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. (IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	60.00	60.00	-	-	-
FORUM COMERCIALIZADORA DEL PERU SA	PERU	SERVICES	-	100.00	100.00	1	1	-
FORUM DISTRIBUIDORA DEL PERU SA	PERU	FINANCIAL SERVICES	-	100.00	100.00	6	5	1
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	43	35	6
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	246	187	49
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	1	-
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	340	291	(3)
GARANTI BANK SA	ROMANIA	BANKING	-	100.00	100.00	262	293	25
GARANTI BBVA AS (1)	TURKEY	BANKING	49.85	-	49.85	4,967	7,219	968
GARANTI BBVA EMEKLILIK AS	TURKEY	INSURANCES SERVICES	-	84.91	84.91	173	129	71
GARANTI BBVA FACTORING AS	TURKEY	FINANCIAL SERVICES	-	81.84	81.84	20	21	4
GARANTI BBVA FILO AS	TURKEY	SERVICES	-	100.00	100.00	1	5	5
GARANTI BBVA LEASING AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	152	137	16
GARANTI BBVA PORTFOY AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	20	14	6
GARANTI BBVA YATIRIM AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	48	26	23
GARANTI BILISIM TEKNOLOJISI VE TIC TAS	TURKEY	SERVICES	-	100.00	100.00	15	12	4
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	(5)	(14)
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	263	340	-
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	-	100.00	100.00	-	1	-
GARANTI KULTUR AS	TURKEY	SERVICES	-	100.00	100.00	-	-	-
GARANTI ODEME SISTEMLERI AS (GOSAS)	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	3	-
GARANTI YATIRIM ORTAKLIGI AS	TURKEY	INVESTMENT COMPANY	-	91.40	91.40	-	6	1
GARANTIBANK BBVA INTERNATIONAL N.V.	NETHERLANDS	BANKING	-	100.00	100.00	587	577	7
GARRAF MEDITERRANIA, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
GESCAT GESTIO DE SOL SL	SPAIN	REAL ESTATE	100.00	-	100.00	11	12	(1)

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net carrying amount**	**Equity excluding profit (loss) 31.12.19**	**Profit (loss) 31.12.19**
GESCAT LLEVANT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	3	3	-
GESCAT LLOGUERS SL	SPAIN	REAL ESTATE	100.00	-	100.00	3	4	-
GESCAT POLSKA SP ZOO	POLAND	REAL ESTATE	100.00	-	100.00	-	-	-
GESCAT SINEVA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-
GESCAT VIVENDES EN COMERCIALITZACIO SL	SPAIN	REAL ESTATE	100.00	-	100.00	91	92	(2)
GESTION DE PREVISION Y PENSIONES SA	SPAIN	PENSION FUNDS MANAGEMENT	60.00	-	60.00	9	21	5
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	-	100.00	100.00	1	2	-
GRAN JORGE JUAN SA	SPAIN	REAL ESTATE	100.00	-	100.00	423	409	14
GRUPO FINANCIERO BBVA BANCOMER SA DE CV	MEXICO	FINANCIAL SERVICES	99.98	-	99.98	6,678	8,586	2,645
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	33	33	-
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	-	-	-
HABITATGES FINVER, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
HABITATGES JUVIPRO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
HOLAMUNO AGENTE DE SEGUROS VINCULADO, S.L.U. (IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	100.00	100.00	-	1	-
HOLVI DEUTSCHLAND SERVICE GMBH (IN LIQUIDATION)	GERMANY	IN LIQUIDATION	-	100.00	100.00	-	-	-
HOLVI PAYMENT SERVICE OY	FINLAND	FINANCIAL SERVICES	-	100.00	100.00	55	22	(17)
HUMAN RESOURCES PROVIDER, INC	UNITED STATES	SERVICES	-	100.00	100.00	349	342	6
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	343	337	6
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	35	21	14
INMUEBLES Y RECUPERACIONES CONTINENTAL SA	PERU	REAL ESTATE	-	100.00	100.00	44	42	2
INPAU, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	25	25	-
INVERAHORRO SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	98	102	-
INVERPRO DESENVOLUPAMENT, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	4	8	2
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	-	100.00	100.00	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC NV (1)	CURAÇAO	INVESTMENT COMPANY	48.00	-	48.01	16	46	6
INVERSIONES BAPROBA CA	VENEZUELA	FINANCIAL SERVICES	100.00	-	100.00	-	1	(1)
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	-	60.46	60.46	-	-	-
IRIDION SOLUCIONS IMMOBILIARIES SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
JALE PROCAM, S.L. (IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	50.00	50.00	-	(53)	(2)
L'EIX IMMOBLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
LIQUIDITY ADVISORS LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,154	1,144	17
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	-	100.00	100.00	9	2	-
MICRO SPINAL LLC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	(1)
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	7	7	-
MOTORACTIVE IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	36	25	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	-	100.00	100.00	-	1	1

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2019.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
							Affiliate entity data	
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net carrying amount**	**Equity excluding profit (loss) 31.12.19**	**Profit (loss) 31.12.19**
MULTIASISTENCIA OPERADORA S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	-	-
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	-	-
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	27	18	9
NOIDIRI SL	SPAIN	REAL ESTATE	100.00	-	100.00	-	-	-
NOVA TERRASSA 3, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	-	100.00	100.00	2	1	1
OPENPAY COLOMBIA SAS	COLOMBIA	PAYMENT ENTITIES	-	100.00	100.00	-	-	-
OPENPAY S.A.P.I DE C.V.	MEXICO	PAYMENT ENTITIES	-	100.00	100.00	18	4	(1)
OPENPAY SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-
OPERADORA DOS LAGOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	1	-
OPPLUS OPERACIONES Y SERVICIOS SA	SPAIN	SERVICES	100.00	-	100.00	1	30	6
OPPLUS SAC (IN LIQUIDATION)	PERU	IN LIQUIDATION	-	100.00	100.00	1	1	-
P.I. HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
PARCSUD PLANNER, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
PECRI INVERSION SA	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	169	166	3
PENSIONES BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	245	211	90
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	288	285	5
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	84	84	-
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	26	26	-
PROMOCIONES Y CONSTRUCCIONES CERBAT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	8	8	-
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	36	37	(1)
PROMOU CT 3AG DELTA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
PROMOU CT EIX MACIA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	4	5	(1)
PROMOU CT GEBIRA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
PROMOU CT OPENSEGRE, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	5	7	(2)
PROMOU CT VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
PROMOU GLOBAL, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	18	18	-
PRONORTE UNO PROCAM, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	-	-
PROPEL VENTURE PARTNERS GLOBAL, S.L	SPAIN	FINANCIAL SERVICES	-	99.50	99.50	52	64	15
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	-	100.00	100.00	107	90	17
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	-	58.86	58.86	-	-	-
PROVINCIAL DE VALORES CASA DE BOLSA CA	VENEZUELA	SECURITIES DEALER	-	90.00	90.00	1	1	-
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA CA	VENEZUELA	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
PROV-INFI-ARRAHONA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUNDS MANAGEMENT	-	100.00	100.00	2	2	-
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	50.00	50.00	8	21	(4)
PUERTO CIUDAD LAS PALMAS, S.A.	SPAIN	REAL ESTATE	-	96.64	96.64	-	(24)	(1)

(*) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net carrying amount**	**Equity excluding profit (loss) 31.12.19**	**Profit (loss) 31.12.19**
QIPRO SOLUCIONES S.L.	SPAIN	SERVICES	-	100.00	100.00	5	12	2
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	38	16	2
RPV COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	0	(1)
RWHC, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	772	753	14
SAGE OG I, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
SATICEM GESTIO SL	SPAIN	REAL ESTATE	100.00	-	100.00	4	4	-
SATICEM HOLDING SL	SPAIN	REAL ESTATE	100.00	-	100.00	5	5	-
SATICEM IMMOBILIARIA SL	SPAIN	REAL ESTATE	100.00	-	100.00	16	15	1
SATICEM IMMOBLES EN ARRENDAMENT SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
SEGUROS BBVA BANCOMER SA DE CV GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	413	336	282
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	-	100.00	100.00	8	8	-
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	6	-
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2	6	1
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	-	100.00	100.00	16	12	4
SIMPLE FINANCE TECHNOLOGY CORP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	56	78	(23)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO SA	SPAIN	SERVICES	100.00	-	100.00	71	76	(5)
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO SA	SPAIN	INACTIVE	77.20	-	77.20	-	-	-
SPORT CLUB 18 SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	8	12	(3)
TEXAS LOAN SERVICES LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,170	1,151	20
TMF HOLDING INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	16	15	1
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	-	100.00	100.00	1	1	-
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	30	30	1
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	-	29	1
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS SA	SPAIN	REAL ESTATE	100.00	-	100.00	336	543	(18)
UPTURN FINANCIAL INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2	4	(3)
URBANIZADORA SANT LLORENC SA	SPAIN	INACTIVE	60.60	-	60.60	-	-	-
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SPAIN	SERVICES	-	51.00	51.00	-	-	1
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	51.00	51.00	15	29	1

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(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

APPENDIX III. Additional information on investments and jointly controlled companies accounted for under the equity method of consolidation in the BBVA Group as of December 31, 2019

			% Legal share of participation			Millions of Euros (*)				
						Affiliate entity data				
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets 31.12.19	Liabilities 31.12.19	Equity excluding profit (loss) 31.12.19	Profit (loss) 31.12.19
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	COMMERCIAL	-	40.00	40.00	3	19	11	7	1
ATOM BANK PLC	UNITED KINGDOM	BANKING	39.02	-	39.02	136	3,285	3,024	350	(90)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	5	10	0	9	1
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO SA	SPAIN	PUBLIC ENTITIES AND INSTITUTIONS	16.67	-	16.67	23	146	6	131	9
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	-	21.03	21.03	3	103	89	5	9
DIVARIAN PROPIEDAD, S.A.U.	SPAIN	REAL ESTATE	20.00	-	20.00	630	3,252	101	3,199	(48)
FIDEICOMISO F/00185 FIMPE - FIDEICOMISO F/00185 PARA EXTENDER A LA SOCIEDAD LOS BENEFICIOS DEL ACCESO A LA INFRAESTRUCTURA DE LOS MEDIOS DE PAGO ELECTRONICOS	MEXICO	FINANCIAL SERVICES	-	28.50	28.50	2	8	-	13	(4)
METROVACESA SA	SPAIN	REAL ESTATE	9.44	11.41	20.85	443	2,622	280	2,343	(1)
REDSYS SERVICIOS DE PROCESAMIENTO SL	SPAIN	FINANCIAL SERVICES	20.00	-	20.00	14	128	56	60	11
ROMBO COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	40.00	40.00	10	118	93	28	(4)
SERVICIOS ELECTRONICOS GLOBALES SA DE CV	MEXICO	SERVICES	-	46.14	46.14	11	23	-	20	3
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO SA	ESPAÑA	FINANCIAL SERVICES	28.72	-	28.72	8	31	3	27	1
SOLARISBANK AG	GERMANY	BANKING	-	22.22	22.22	36	416	369	65	(18)
TELEFONICA FACTORING ESPAÑA SA	SPAIN	FINANCIAL SERVICES	30.00	-	30.00	4	60	46	7	7
TF PERU SAC	PERU	FINANCIAL SERVICES	-	24.30	24.30	1	6	1	3	2
JOINT VENTURES										
ADQUIRA MEXICO SA DE CV	MEXICO	COMMERCIAL	-	50.00	50.00	2	6	2	4	-
ALTURA MARKETS SOCIEDAD DE VALORES SA	SPAIN	SECURITY DEALER	50.00	-	50.00	73	2,448	2,301	138	9
COMPAÑIA MEXICANA DE PROCESAMIENTO SA DE CV	MEXICO	SERVICES	-	50.00	50.00	9	17	-	16	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. (1)	SPAIN	INVESTMENT COMPANY	-	50.00	50.00	29	63	5	58	-
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	SPAIN	REAL ESTATE	-	50.00	50.00	14	81	53	27	2
FIDEICOMISO DE ADMINISTRACION REDETRANS	COLOMBIA	FINANCIAL SERVICES	-	25.07	25.07	1	4	-	4	-
FIDEICOMISO F/402770-2 ALAMAR	MEXICO	REAL ESTATE	-	42.40	42.40	8	18	-	18	-
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA (1)	MEXICO	REAL ESTATE	-	32.25	32.25	12	182	-	182	-
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	-	39.11	39.11	4	15	-	15	-
RCI COLOMBIA SA COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	-	49.00	49.00	37	514	439	67	8
VITAMEDICA ADMINISTRADORA, S.A. DE C.V	MEXICO	SERVICES	-	51.00	51.00	5	19	10	9	-

(*)In foreign companies the exchange rate of December 31, 2019 is applied.

(1)Classified as non-current asset for sale

APPENDIX IV. Changes and notification of investments and divestments in the BBVA Group in 2019

Acquisitions or Increases of Interest Ownership in Consolidated Subsidiaries

			Millions of Euros		% of Voting rights			
Company	**Type of transaction**	**Activity**	**Price paid in the transactions + expenses directly attributable to the transactions**	**Fair value of equity instruments issued for the transactions**	**% participation (net) acquired in the year**	**Total voting rights controlled after the transactions**	**Effective date for the transaction (or notification date)**	**Category**
DATA ARCHITECTURE AND TECHNOLOGY MEXICO SA DE CV	FOUNDING	SERVICES	1	-	100.00%	100.00%	22-Jul-19	SUBSIDIARY
DATA ARCHITECTURE AND TECHNOLOGY OPERADORA SA DE CV	FOUNDING	SERVICES	-	-	100.00%	100.00%	22-Jul-19	SUBSIDIARY
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	CAPITAL INCREASE	INVESTMENT COMPANY	4	-	25.00%	100.00%	25-Nov-19	SUBSIDIARY
BBVA PROCUREMENT AMERICA SA DE CV (1)	FOUNDING	SERVICES	-	-	100.00%	100.00%	4-Mar-19	SUBSIDIARY
FIDEICOMISO INMUEBLES CONJUNTO RESIDENCIAL HORIZONTES DE VILLA CAMPESTRE	FOUNDING	REAL ESTATE	1	-	100.00%	100.00%	1-Sep-19	SUBSIDIARY
OPENPAY COLOMBIA SAS	FOUNDING	PAYMENT INSTITUTIONS	-	-	100.00%	100.00%	9-Oct-19	SUBSIDIARY

(1) Company incorporated and liquidated in the same year.

Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

			Millions of Euros		% of Voting rights			
Company	**Type of transaction**	**Activity**	**Profit (loss) in the transaction**	**Changes in the equity due to the transaction**	**% Participation sold in the year**	**Total voting rights controlled after the disposal**	**Effective date for the transaction (or notification date)**	**Category**
BBVA FRANCES VALORES, S.A.	MERGER	SECURITIES DEALER	-	-	100.00%	-	31-Oct-19	SUBSIDIARY
ENTIDAD DE PROMOCION DE NEGOCIOS SA	LIQUIDATION	OTHER HOLDING	-	-	99.88%	-	14-Jun-19	SUBSIDIARY
BBVA NOMINEES LIMITED (IN LIQUIDATION)	LIQUIDATION	SERVICES	-	-	100.00%	-	2-Apr-19	SUBSIDIARY
BBVA LUXINVEST SA	LIQUIDATION	INVESTMENT COMPANY	-	-	100.00%	-	2-Sep-19	SUBSIDIARY
BBVA CONSULTORIA, S.A.	LIQUIDATION	SERVICES	-	-	100.00%	-	18-Feb-19	SUBSIDIARY
RENTRUCKS ALQUILER Y SERVICIOS DE TRANSPORTE SA	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	30-Apr-19	SUBSIDIARY
FIDEICOMISO Nº 711 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 1ª EMISION)	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	30-May-19	SUBSIDIARY
FIDEICOMISO Nº 752 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 2ª EMISION)	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	30-Nov-19	SUBSIDIARY
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MERGER	REAL ESTATE	-	-	100.00%	-	29-Nov-19	SUBSIDIARY
FINANCEIRA DO COMERCIO EXTERIOR SAR.	LIQUIDATION	COMMERCIAL	-	-	100.00%	-	21-Jan-19	SUBSIDIARY
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	9-May-19	SUBSIDIARY
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	LIQUIDATION	SERVICES	-	-	100.00%	-	25-Feb-19	SUBSIDIARY
COPROMED SA DE CV	LIQUIDATION	SERVICES	-	-	100.00%	-	18-Oct-19	SUBSIDIARY
INVERSIONES DE INNOVACION EN SERVICIOS FINANCIEROS, S.L.	MERGER	INVESTMENT COMPANY	-	-	100.00%	-	16-Sep-19	SUBSIDIARY
PERSONAL DATA BANK SLU	LIQUIDATION	SERVICES	-	-	100.00%	-	31-Dec-19	SUBSIDIARY
BBVA PROCUREMENT AMERICA SA DE CV (1)	LIQUIDATION	SERVICES	-	-	100.00%	-	11-Dec-19	SUBSIDIARY
GARANTI HIZMET YONETIMI AS	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	23-Dec-19	SUBSIDIARY

(1) Company incorporated and liquidated in the same year

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

Changes and notification of investments and divestments in the BBVA Group in 2019 (continued)

Business Combinations and Other Acquisitions or Increases of Interest Ownership in Associates and Joint-Ventures Accounted for Under the Equity Method

			Millions of Euros		% of Voting rights			
Company	**Type of transaction**	**Activity**	**Price paid in the transactions + expenses directly attributable to the transactions**	**Fair value of equity instruments issued for the transactions**	**% Participation (net) acquired in the year**	**Total voting rights controlled after the transactions**	**Effective date for the transaction (or notification date)**	**Category**
PRIVACYCLOUD S.L.	ACQUISITION	SERVICES	1	-	18.10%	20.00%	11-Oct-19	ASSOCIATED

Disposal or Reduction of Interest Ownership in Associates and Joint-Ventures Companies Accounted for Under the Equity Method

			Millions of Euros	% of Voting rights			
Company	**Type of transaction**	**Activity**	**Profit (loss) in the transaction**	**% Participation sold in the year**	**Total voting rights controlled after the disposal**	**Effective date for the transaction (or notification date)**	**Category**
REAL ESTATE DEAL II SA	LIQUIDATION	REAL ESTATE	-	20.06%	-	11-Nov-19	JOINT VENTURE
CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.	DISPOSAL	REAL ESTATE	10	33.33%	-	31-Dec-19	ASSOCIATED
BANK OF HANGZHOU CONSUMER FINANCE CO LTD	DILUTION EFFECT	BANKING	7	18.10%	11.90%	29-Jul-19	ASSOCIATED
AXIACOM-CRI, S.L. (IN LIQUIDATION)	LIQUIDATION	REAL ESTATE	-	50.00%	-	30-Oct-19	JOINT VENTURE
HABITATGES LLULL, S.L.	LIQUIDATION	REAL ESTATE	-	50.00%	-	20-Nov-19	JOINT VENTURE
PROMOCIONS CAN CATA, S.L. (IN LIQUIDATION)	LIQUIDATION	REAL ESTATE	-	64.29%	-	17-Jun-19	JOINT VENTURE
RESIDENCIAL SARRIA-BONANOVA, S.L. EN LIQUIDACIÓN	LIQUIDATION	REAL ESTATE	-	27.22%	-	31-Dec-19	ASSOCIATED
INNOVA 31, S.C.R., S.A.(EN LIQUIDACION)	LIQUIDATION	FINANCIAL SERVICES	-	27.04%	-	01-Mar-19	ASSOCIATED
PROVIURE CZF, S.L.	LIQUIDATION	REAL ESTATE	-	50.00%	-	31-Dec-19	JOINT VENTURE
PROVIURE CZF PARC D'HABITATGES, S.L.	LIQUIDATION	REAL ESTATE	-	100.00%	-	31-Dec-19	JOINT VENTURE

This Appendix is an integral part of Note 14 of the financial statements for the year ended December 31, 2019.

APPENDIX V. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2019

		% of voting rights controlled by the Bank		
Company	**Activity**	**Direct**	**Indirect**	**Total**
BBVA BANCO CONTINENTAL SA	BANKING	-	46.12	46.12
BANCO PROVINCIAL SA - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC NV	INVESTMENT COMPANY	48.00	-	48.00
PRO-SALUD, C.A.	NO ACTIVITY	-	58.86	58.86
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	-	60.46	60.46
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	PENSION FUND MANAGEMENT	75.00	5.00	80.00
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	-	50.00	50.00
DISTRITO CASTELLANA NORTE, S.A.	REAL ESTATE	-	75.54	75.54
GESTION DE PREVISION Y PENSIONES SA	PENSION FUND MANAGEMENT	60.00	-	60.00
F/403035-9 BBVA HORIZONTES RESIDENCIAL	REAL ESTATE	-	65.00	65.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	-	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	-	51.00	51.00
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	BANKING	-	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	-	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	-	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	-	51.00	51.00
GARANTI BBVA EMEKLILIK AS	INSURANCES	-	84.91	84.91
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. EN LIQUIDACION	IN LIQUIDATION	-	60.00	60.00
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SERVICES	76.00	-	76.00
JALE PROCAM, S.L. (IN LIQUIDATION)	IN LIQUIDATION	-	50.00	50.00
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	BANKING	-	50.00	50.00

APPENDIX VI. BBVA Group's structured entities. Securitization funds as of December, 31 2019

			Millions of Euros	
Securitization fund (consolidated)	**Company**	**Origination date**	**Total securitized exposures at the origination date**	**Total securitized exposures as of December 31, 2019 (*)**
AYT HIPOTECARIO MIXTO IV, FTA	BBVA, S.A.	06/2005	100	15
AYT HIPOTECARIO MIXTO, FTA	BBVA, S.A.	03/2004	100	10
BBVA CONSUMER AUTO 2018-1	BBVA, S.A.	06/2018	800	736
BBVA CONSUMO 7 FTA	BBVA, S.A.	07/2015	1,450	350
BBVA CONSUMO 8 FT	BBVA, S.A.	07/2016	700	337
BBVA CONSUMO 9 FT	BBVA, S.A.	03/2017	1,375	850
BBVA EMPRESAS 4 FTA	BBVA, S.A.	07/2010	1,700	25
BBVA LEASING 1 FTA	BBVA, S.A.	06/2007	2,500	25
BBVA RMBS 1 FTA	BBVA, S.A.	02/2007	2,500	897
BBVA RMBS 10 FTA	BBVA, S.A.	06/2011	1,600	1,076
BBVA RMBS 11 FTA	BBVA, S.A.	06/2012	1,400	940
BBVA RMBS 12 FTA	BBVA, S.A.	12/2013	4,350	2,959
BBVA RMBS 13 FTA	BBVA, S.A.	07/2014	4,100	2,908
BBVA RMBS 14 FTA	BBVA, S.A.	11/2014	700	447
BBVA RMBS 15 FTA	BBVA, S.A.	05/2015	4,000	2,945
BBVA RMBS 16 FT	BBVA, S.A.	05/2016	1,600	1,245
BBVA RMBS 17 FT	BBVA, S.A.	11/2016	1,800	1,460
BBVA RMBS 18 FT	BBVA, S.A.	11/2017	1,800	1,582
BBVA RMBS 2 FTA	BBVA, S.A.	03/2007	5,000	1,664
BBVA RMBS 3 FTA	BBVA, S.A.	07/2007	3,000	1,312
BBVA RMBS 5 FTA	BBVA, S.A.	05/2008	5,000	2,187
BBVA RMBS 9 FTA	BBVA, S.A.	04/2010	1,295	788
BBVA VELA SME 2018	BBVA, S.A.	03/2018	1,950	873
BBVA-6 FTPYME FTA	BBVA, S.A.	06/2007	1,500	8
FTA TDA-22 MIXTO	BBVA, S.A.	12/2004	112	22
FTA TDA-27	BBVA, S.A.	12/2006	275	79
FTA TDA-28	BBVA, S.A.	07/2007	250	76
GAT ICO FTVPO 1, F.T.H	BBVA, S.A.	06/2009	358	64
HIPOCAT 10 FTA	BBVA, S.A.	07/2006	1,500	253
HIPOCAT 11 FTA	BBVA, S.A.	03/2007	1,600	263
HIPOCAT 7 FTA	BBVA, S.A.	06/2004	1,400	192
HIPOCAT 8 FTA	BBVA, S.A.	05/2005	1,500	227
HIPOCAT 9 FTA	BBVA, S.A.	11/2005	1,000	176
TDA 19 FTA	BBVA, S.A.	03/2004	200	21
TDA 20-MIXTO, FTA	BBVA, S.A.	06/2004	100	12
TDA 23 FTA	BBVA, S.A.	03/2005	300	45
TDA TARRAGONA 1 FTA	BBVA, S.A.	12/2007	397	103
VELA CORPORATE 2018-1	BBVA, S.A.	12/2018	1,000	469
BBVA Consumo 10FT	BBVA, S.A.	07/2019	2,000	1,946
BBVA RMBS 19 FT	BBVA, S.A.	11/2019	2,000	1,983

			Millions of Euros	
Securitization fund (not consolidated)	**Company**	**Origination date**	**Total securitized exposures at the origination date**	**Total securitized exposures as of December 31, 2019 (*)**
FTA TDA-18 MIXTO	BBVA, S.A.	nov.-03	91	10
HIPOCAT 6 FTA	BBVA, S.A.	jul.-03	850	93

(*) Solvency scope

APPENDIX VII. BBVA Group's structured entities. Securitization funds as of December 31, 2019

Issue type and data (Millions of Euros)

	2019	2018	Interest rate in force in 2019	Fix (F) or variable (V)	Maturity date
Subordinated debt - Non-convertible					
January-05	49	49	0.64%	V	1/28/20
August-06	40	40	0.68%	V	8/9/21
August-06	46	46	0.68%	V	8/9/21
March-07	73	73	0.90%	V	Perpetual
April-07	68	68	0.80%	V	4/4/22
March-08	125	125	6.03%	V	3/3/33
May-08	50	50	4.06%	V	5/19/23
July-08	100	100	6.20%	F	7/4/23
June-09	-	5	4.92%	V	6/10/24
April-14	-	1,494	3.50%	V	4/11/24
February-17	1,000	1,000	3.50%	F	2/10/27
February-17	99	99	4.00%	F	2/24/32
March-17	65	65	4.00%	F	2/24/32
March-17	53	53	3.00%	F	3/16/27
March-17	107	105	5.70%	F	3/31/32
May-17	18	18	1.60%	F	5/24/27
May-17	150	150	2.54%	F	5/24/27
May-18	265	260	5.25%	F	5/29/33
February-19	750	-	2.58%	F	2/22/29
Subordinated debt - convertible					
February-14	-	1,500	7.00%	V	Perpetual
February-15	1,500	1,500	6.75%	V	Perpetual
April-16	1,000	1,000	8.88%	V	Perpetual
May-17	500	500	5.88%	V	Perpetual
November-17	890	873	6.13%	V	Perpetual
September-18	1,000	990	5.88%	V	Perpetual
March-19	1,000	-	6.00%	V	Perpetual
September-19	890	-	6.50%	V	Perpetual
Subtotal	**9,839**	**10,162**			
Subordinated deposits	**303**	**300**			
Total	**10,142**	**10,462**			

This Appendix is an integral part of Note 20.4 of the financial statements for the year ended December 31, 2019.

APPENDIX VIII. Balance sheets held in foreign currency as of December 31, 2019 and 2018

2019 (Millions of Euros)

	USD	Pounds sterling	Other currencies	TOTAL
Assets				
Financial assets held for trading	4,408	1,636	1,290	7,334
Non-trading financial assets mandatorily at fair value through profit or loss	42	-	52	94
Financial assets designated at fair value through other comprehensive income	4,817	137	2,823	7,777
Financial assets at amortized cost	19,352	2,528	2,207	24,087
Investments in subsidiaries, joint ventures and associates	205	-	24,380	24,585
Tangible assets	10	6	9	25
Other assets	2,924	173	787	3,884
Total	**31,758**	**4,480**	**31,548**	67,786
Liabilities				
Financial assets held for trading	3,897	680	517	5,094
Other financial liabilities designated at fair value through profit or loss	1,913	139	377	2,429
Financial liabilities at amortized cost	22,255	1,848	1,930	26,033
Other liabilities	170	45	50	265
Total	**28,235**	**2,712**	**2,874**	**33,821**

2018 (Millions of Euros)

	USD	Pounds sterling	Other currencies	TOTAL
Assets				
Financial assets held for trading	2,462	241	735	3,438
Non-trading financial assets mandatorily at fair value through profit or loss	65	4	30	99
Financial assets designated at fair value through other comprehensive income	4,463	292	182	4,937
Financial assets at amortized cost	14,580	2,474	1,758	18,812
Investments in subsidiaries, joint ventures and associates	201	-	26,083	26,284
Tangible assets	3	3	1	7
Other Assets	3,177	223	942	4,342
Total	**24,951**	**3,237**	**29,731**	**57,919**
Liabilities				
Financial assets held for trading	2,169	349	160	2,678
Other financial liabilities designated at fair value through profit or loss	1,090	44	327	1,461
Financial liabilities at amortized cost	22,432	2,675	1,875	26,982
Other Liabilities	242	49	127	418
Total	**25,933**	**3,117**	**2,489**	**31,539**

This Appendix is an integral part of Note 2.12 of the financial statements for the year ended December 31, 2019.

APPENDIX IX. Income statement corresponding to the first and second half of 2019 and 2018

INCOME STATEMENTS (Millions of Euros)

	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended December, 2019	Six months ended December, 2018
Interest and similar income	2,485	2,354	2,526	2,523
Interest and similar expenses	(784)	(641)	(764)	(745)
NET INTEREST INCOME	**1,702**	**1,713**	**1,762**	**1,778**
Dividend income	1,496	1,475	1,808	1,640
Fee and commission income	1,022	1,013	1,122	1,070
Fee and commission expenses	(207)	(177)	(240)	(230)
Gains or (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	18	25	89	84
Gains or (losses) on financial assets and liabilities held for trading, net	200	275	175	89
Gains or (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	8	7	28	71
Gains or (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(82)	(45)	(19)	4
Gains or (losses) from hedge accounting, net	34	14	(13)	32
Exchange differences (net)	(117)	(23)	(16)	(37)
Other operating income	64	55	62	53
Other operating expenses	(227)	(207)	(260)	(267)
GROSS INCOME	**3,910**	**4,124**	**4,496**	**4,287**
Administration costs	(1,939)	(2,033)	(1,942)	(2,044)
Personnel expenses	(1,185)	(1,154)	(1,209)	(1,174)
General and administrative expenses	(753)	(879)	(733)	(870)
Depreciation	(333)	(227)	(340)	(225)
Provisions or reversal of provisions	(208)	(488)	(184)	(78)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	28	(147)	(281)	(120)
NET OPERATING INCOME	**1,458**	**1,230**	**1,750**	**1,820**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates)	(311)	13	(578)	(1,550)
Impairment or reversal of impairment on non-financial assets	(26)	(18)	(52)	(9)
Gains (losses) on derecognized assets not classified as non-current assets held for sale	-	(17)	(1)	1
Negative goodwill recognized in profit or loss	-	-	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(3)	180	(28)	824
OPERATING PROFIT BEFORE TAX	**1,117**	**1,388**	**1,091**	**1,086**
Tax expense or (-) income related to profit or loss from continuing operations	12	(19)	21	(5)
PROFIT FROM CONTINUING OPERATIONS	**1,129**	**1,369**	**1,112**	**1,081**
Profit from discontinued operations (net)	-	-	-	-
PROFIT	**1,129**	**1,369**	**1,112**	**1,081**

APPENDIX X. Information on data derived from the special accounting registry and other information on bonds

The Bank has explicit policies and procedures in place regarding its activities in the mortgage market and in the financing of contracts of export of goods and services or of processes of internationalization of companies, which provide for full compliance with applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based in principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans, likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of 24 April, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of mortgage bonds, mortgage participations or mortgage transfer certificates. for these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 is shown below as of December 31, 2019 and 2018.

b.1) Assets operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)	2019	2018
Nominal value of outstanding loans and mortgage loans	92,757	97,519
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.	(30,173)	(29,781)
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**62,584**	**67,738**
Of which: Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	*44,759*	*45,664*
Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	(1,191)	(1,240)
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**43,568**	**44,424**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	34,854	35,539
Issued Mortgage-covered bonds	**32,422**	**24,301**
Outstanding Mortgage-covered bonds	**14,832**	**15,207**
Capacity to issue mortgage-covered bonds	2,432	11,238
Memorandum items:	-	-
Percentage of overcollateralization across the portfolio	193%	279%
Percentage of overcollateralization across the eligible used portfolio	134%	183%
Nominal value of available sums (committed and unused) from all loans and mortgage loans.	5,841	5,267
Of which: Potentially eligible	*4,935*	*4,517*
Of which: Ineligible	*906*	*750*
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.	9,989	12,827
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.	-	-

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)		2019	2018
Total loans	**(1)**	**92,757**	**97,519**
Issued mortgage participations	**(2)**	**4,494**	**4,360**
Of which: recognized on the balance sheet		*3,213*	*2,927*
Issued mortgage transfer certificates	**(3)**	**25,679**	**25,422**
Of which: recognized on the balance sheet		*22,899*	*23,590*
Mortgage loans as collateral of mortgages bonds	**(4)**	**-**	**-**
Loans supporting the issuance of mortgage-covered bonds	**1-2-3-4**	**62,584**	**67,738**
Non eligible loans		17,825	22,074
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		9,989	12,827
Other		7,836	9,247
Eligible loans		44,759	45,664
That can not be used as collateral for issuances		1,191	1,240
That can be used as collateral for issuances		43,568	44,424
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		43,568	44,424

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of Euros)

	2019			2018		
	Total mortgage loans	Eligible Loans(*)	Eligible that can be used as collateral for issuances (**)	Total mortgage loans	Eligible Loans(*)	Eligible that can be used as collateral for issuances (**)
TOTAL	**62,584**	**44,759**	**43,568**	**67,738**	**45,664**	**44,424**
By source of the operations						
Originated by the bank	57,541	40,462	39,316	62,170	40,962	39,799
Subrogated by other institutions	838	650	644	797	664	660
Rest	4,205	3,647	3,608	4,771	4,038	3,965
By Currency						
In euros	62,263	44,564	43,373	67,255	45,362	44,122
In foreign currency	321	195	195	483	302	302
By payment situation						
Normal payment	53,983	41,331	40,608	56,621	41,688	41,057
Other situations	8,601	3,428	2,960	11,117	3,976	3,367
By residual maturity						
Up to 10 years	13,788	10,376	10,071	15,169	11,226	10,808
10 to 20 years	26,923	22,521	21,836	28,317	22,907	22,344
20 to 30 years	17,528	10,562	10,398	18,195	9,973	9,752
Over 30 years	4,345	1,300	1,263	6,057	1,558	1,520
By Interest Rate						
Fixed rate	11,408	6,768	6,720	10,760	5,545	5,467
Floating rate	51,176	37,991	36,848	56,978	40,119	38,957
Mixed rate	-	-	-	-	-	-
By Target of Operations						
For business activity	11,709	6,825	5,918	13,308	7,107	6,196
From which: Public housing	*2,333*	*1,529*	*743*	*2,770*	*1,455*	*682*
For households	50,875	37,934	37,650	54,430	38,557	38,228
By type of guarantee						
Secured by completed assets/buildings	**60,638**	**43,823**	**42,920**	**65,535**	**44,912**	**43,884**
Residential use	52,831	39,329	38,594	56,880	40,098	39,276
From which: Public housing	*4,039*	*3,238*	*3,094*	*4,464*	*3,423*	*3,278*
Commercial	7,779	4,484	4,316	8,618	4,803	4,597
Other	28	10	10	37	11	11
Secured by assets/buildings under construction	**1,103**	**671**	**446**	**1,014**	**369**	**261**
Residential use	862	560	335	721	234	150
From which: Public housing	*5*	*1*	*1*	*18*	*1*	*1*
Commercial	241	111	111	293	135	111
Other	-	-	-	-	-	-
Secured by land	**843**	**265**	**202**	**1,189**	**383**	**279**
Urban	321	98	43	478	134	47
Non-urban	522	167	159	711	249	232

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

(**) Taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

December 2019. Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
Home mortgages	13,713	14,821	11,562	-	40,096
Other mortgages	2,484	2,179			4,663
Total	**16,197**	**17,000**	**11,562**	**-**	**44,759**

December 2018. Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
Home mortgages	13,792	15,459	11,704	-	40,955
Other mortgages	2,506	2,203			4,709
Total	**16,298**	**17,662**	**11,704**	**-**	**45,664**

Eligible and non-eligible mortgage loans. Changes of the nominal values in the period (Millions of Euros)

	2019		2018	
	Eligible (*)	Non eligible	Eligible (*)	Non eligible
Balance at the beginning	45,664	22,074	48,003	24,762
Retirements	**7,447**	**8,498**	**7,994**	**7,483**
Held-to-maturity cancellations	4,363	1,062	4,425	1,883
Anticipated cancellations	2,231	2,054	2,227	2,625
Subrogations to other institutions	22	10	25	13
Rest	831	5,372	1,317	2,962
Additions	**6,542**	**4,249**	**5,655**	**4,795**
Originated by the bank	3,219	3,235	2,875	3,376
Subrogations to other institutions	4	2	15	7
Rest	3,319	1,012	2,765	1,412
Balance at the end	44,759	17,825	45,664	22,074

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	2019	2018
Potentially eligible	4,935	4,517
Ineligible	906	750
Total	5,841	5,267

b.2) Liabilities operations

Issued Mortgage Bonds (Millions of Euros)

	2019		2018	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	-		-	
Mortgage-covered bonds (*)	**32,422**		**24,301**	
Of which:Non recognized as liabilities on balance	14,832		9,093	
Of Which: outstanding	17,590		15,207	
Debt securities issued through public offer	12,501		12,501	
Residual maturity up to 1 year	2,051		-	
Residual maturity over 1 year and less than 2 years	2,750		2,051	
Residual maturity over 2 years and less than 3 years	1,250		2,750	
Residual maturity over 3 years and less than 5 years	3,250		3,500	
Residual maturity over 5 years and less than 10 years	3,000		4,000	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	17,662		9,161	
Residual maturity up to 1 year	50		-	
Residual maturity over 1 year and less than 2 years	1,500		50	
Residual maturity over 2 years and less than 3 years	2,000		1,500	
Residual maturity over 3 years and less than 5 years	9,000		2,500	
Residual maturity over 5 years and less than 10 years	5,112		5,111	
Residual maturity over 10 years	-		-	
Deposits	2,260		2,640	
Residual maturity up to 1 year	246		380	
Residual maturity over 1 year and less than 2 years	425		246	
Residual maturity over 2 years and less than 3 years	368		425	
Residual maturity over 3 years and less than 5 years	100		468	
Residual maturity over 5 years and less than 10 years	471		471	
Residual maturity over 10 years	650		650	
Mortgage participations	**3,213**	**267**	**2,927**	**269**
Issued through public offer	3,213	267	2,927	269
Issued without public offer	-	-	-	-
Mortgage transfer certificates	**22,899**	**267**	**23,590**	**269**
Issued through public offer	22,899	267	23,590	269
Issued without public offer	-	-	-	-

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2015 as of December 31, 2017 and 2016.

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)

	Nominal value 2019	Nominal value 2018
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,621	3,369
Minos: Loans that support the issuance of internationalization bonds	-	-
Minos: NPL to be deducted in the calculation of the issuance limit, according to Article 13 del Royal Decree 579/2014	1	4
Total Loans included in the base of all issuance limit	**3,620**	**3,365**

c.2) Liabilities operations

INTERNATIONALIZATION COVERED BONDS (Millions of Euros)

	Nominal value 2019	Nominal value 2018
(1) Debt securities issued through public offer (a)	**1,500**	**1,500**
Of which: Treasury shares	1,500	1,500
Residual maturity up to 1 year	-	1,500
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	1,500	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(2) Debt securities issued without public offer (a)	-	-
Of which: Treasury shares	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(3) Deposits (b)	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
TOTAL: (1) + (2) + (3)	**1,500**	**1,500**

	Percentage	Percentage
Coverage ratio of internationalization covered bonds on loans (c)	41%	45%

(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Nominative bonds.

(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

d) Territorial bonds

d.1) Assets operations

December 2019. Loans that serves as collateral for the territorial bonds

	Nominal Value(a)		
	Total	Spanish Residents	Residents in other countries of the European Economic Area
Central Governments	1,473	1,345	128
Regional Governments	7,691	7,662	29
Local Governments	4,151	4,151	-
Total loans	**13,315**	**13,158**	**157**

(a) Principal pending payment of loans.

December 2018. Loans that serves as collateral for the territorial bonds

	Nominal Value(a)		
	Total	Spanish Residents	Residents in other countries of the European Economic Area
Central Governments	1,637	1,592	45
Regional Governments	8,363	8,333	30
Local Governments	5,145	5,145	-
Total loans	**15,145**	**15,070**	**75**

d.2) Liabilities operations

TERRITORIAL BONDS

	Nominal value 2019	Nominal value 2018
Territorial bonds issued (a)	**8,040**	**7,540**
Issued through a public offering	8,040	7,540
Of which: Treasury stock	*7,540*	*7,040*
Residual maturity up to 1 year	4,500	-
Residual maturity over 1 year and less than 2 years	2,000	4,500
Residual maturity over 2 years and less than 3 years	840	2,000
Residual maturity over 3 years and less than 5 years	700	1,040
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
Other issuances	-	-
Of which: Treasury stock	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-

	Percentage	Percentage
Coverage ratio of the territorial bonds on loans (b)	60%	50%

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee

This Appendix is an integral part of Note 20.4 of the Financial Statements for the year ended December 31, 2019.

APPENDIX XI. Risks related to the developer and real-estate sector in Spain

a) Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problematic management and legal aspects, and includes the research department (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio. Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The portfolio management policies, established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio.

Specific policies for analysis and admission of new real estate developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been one of the constant points that have helped ensure the success and transformation of construction land operations for our customers' developments.

As regards the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Recoveries and the Real Estate Unit. This guarantees coordination and exchange of information in all the processes.

The following strategies have been implemented with customers: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth; non-participation in the second-home market; commitment to public housing financing; and participation in land operations with a high level of urban development security, giving priority to land open to urban development.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. The tools used include the so-called "watch-list", which is updated monthly with the progress of each client under watch, and the different strategic plans for management of special groups. There are plans that involve an intensification of the review of the portfolio for financing land, while, in the case of ongoing promotions, they are classified for monitoring purposes based on the rate of progress of the projects.

These actions have enabled the Bank to anticipate possible impairment situations, by always keeping an eye on BBVA's position with each customer (whether or not as first creditor).In this regard, key aspects include management of the risk policy to be followed with each customer, contract review, deadline extension, improved collateral, rate review (repricing) and asset purchase.

Proper management of the relationship with each customer requires knowledge of various aspects such as the identification of the source of payment difficulties, an analysis of the company's future viability, the updating of the information on the debtor and the guarantors (their current situation and business course, economic-financial information, debt analysis and generation of funds), and the updating of the appraisal of the assets offered as collateral.

BBVA has a classification of debtors in accordance with legislation in force in each country, usually categorizing each one's level of difficulty for each risk.

Based on the information above, a decision is made whether to use the refinancing tool, whose objective is to adjust the structure of the maturity of the debt to the generation of funds and the customer's payment capacity.

As for the policies relating to risk refinancing with the developer and real-estate sector, they are the same as the general policies used for all of the Group's risks. In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, with demanding terms for guarantees and legal compliance. The policy on refinancing uses outstanding risk rather than nonperforming assets, with a refinancing tool that standardizes criteria and values up to a total of 19 variables when considering any refinancing operation.

In the case of refinancing, the tools used for enhancing the Bank's position are: the search for new intervening parties with proven solvency and initial payment to reduce the principal debt or outstanding interest; the improvement of the debt bond in order to facilitate the procedure in the event of default; the provision of new or additional collateral; and making refinancing viable with new conditions (period, rate and repayments), adapted to a credible and sufficiently verified business plan.

Policies applied in the management of real estate assets in Spain

The policy applied for managing these assets depends on the type of real-estate asset, as detailed below.

In the case of completed homes, the final aim is the sale of these homes to private individuals, thus diluting the risk and beginning a new business cycle. Here, the strategy has been to help subrogation (the default rate in this channel of business is notably lower than in any other channel of residential mortgages) and to support our customers' sales directly, using BBVA's own channel (BBVA Services and our branches), creating incentives for sale and including sale orders for BBVA that set out sale prices which are notably lower than initial ones. In exceptional case we have even accepted partial haircuts, with the aim of making the sale easier.

In the case of ongoing construction work, our strategy has been to help and promote the completion of the works in order to transfer the investment to completed homes. The whole developer Works in Progress portfolio has been reviewed and classified into different stages with the aim of using different tools to support the strategy. This includes the use of developer accounts-payable financing as a form of payment control, the use of project monitoring supported by the Real Estate Unit itself, and the management of direct suppliers for the works as a complement to the developer's own management.

With respect to land, our presence at advanced stages in land development, where risk of rustic land is not significant, simplifies our management. Urban management and liquidity control to tackle urban planning costs are also subject to special monitoring.

b) Quantitative information on activities in the real-estate market in Spain

Lending for real estate development according to the purpose of the loans as of December 31, 2019 and 2018 is shown below:

December 2019 - Financing allocated to construction and real estate development and its coverage (Millions of Euros)

	Gross amount	Drawn over the guarantee value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**2,649**	**688**	**(336)**
Of which: Impaired assets	*567*	*271*	*(282)*
Memorandum item:			
Write-offs	2,265		
Memorandum item:			
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	167,217		
Total consolidated assets (total business)	408,634		
Impairment and provisions for normal exposures	(1,460)		

December 2018 - Financing allocated to construction and real estate development and its coverage (Millions of Euros)

	Gross amount	Drawn over the guarantee value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**3,183**	**941**	**(594)**
Of which: Impaired assets	*875*	*440*	*(502)*
Memorandum item:	-	-	-
Write-offs	2,619		
Memorandum item:			
Total loans and advances to customers, excluding the public sector (Business in Spain)	169,424		
Total consolidated assets (total business)	399,940		
Impairment and provisions for normal exposures	(1,678)		

The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing Allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)

	2019	2018
Without secured loan	**298**	**324**
With secured loan	**2,351**	**2,859**
Terminated buildings	1,461	1,861
Homes	1,088	1,382
Other	373	479
Buildings under construction	545	432
Homes	348	408
Other	197	24
Land	345	566
Urbanized land	240	364
Rest of land	105	202
Total	**2,649**	**3,183**

As of December 31, 2019 and 2018, 55.2% and 58.5% of loans to developers were guaranteed with buildings (74.5% and 74.3%, are homes), and only 13.0% and 17.8% by land, of which 69.6% and 64.3% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2019 and 2018:

Financial guarantees given (Millions of Euros)

	2019	2018
Houses purchase loans	44	48
Without mortgage	5	24

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2019 and 2018 is as follows:

Financing Allocated by credit institutions to construction and real estate development and lending for house purchase - December 2019 (Millions of Euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	76,961	2,943
Without mortgage	1,672	22
With mortgage	75,289	2,921

Financing allocated by credit institutions to construction and Real estate development and lending for house purchase - December 2018 (Millions of Euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	80,159	3,852
Without mortgage	1,611	30
With mortgage	78,548	3,822

The loan to value (LTV) ratio of the above portfolio is as follows:

December 2019 - LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of Euros)

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
Gross amount	15,105	19,453	20,424	11,827	8,480	75,289
Of which: Impaired loans	*182*	*313*	*506*	*544*	*1,376*	*2,921*

December 2018 - LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of Euros)

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
Gross amount	14,491	18,822	21,657	13,070	10,508	78,548
Of which: Impaired loans	*204*	*323*	*507*	*610*	*2,178*	*3,822*

Outstanding home mortgage loans as of December 31, 2019 had an average LTV of 47% (49% as of December 31, 2018).

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of Euros)

	December 2019			
	Gross Value	Provisions	Of which: Valuation adjustments on impaired assets, at the time of foreclosure	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**26**	**17**	**1**	**9**
Terminated buildings	5	2	-	3
Homes	4	1	-	3
Other	1	1	-	-
Buildings under construction	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Land	21	15	1	6
Urbanized land	21	15	1	6
Rest of land	-	-	-	-
Real estate assets from mortgage financing for households for the purchase of a home	**1,149**	**586**	**131**	**563**
Rest of foreclosed real estate assets	**450**	**233**	**37**	**217**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,092**	**247**	**209**	**845**
Total	**2,717**	**1,083**	**378**	**1,634**

Information about assets received in payment of debts (Business in Spain) (Millions of Euros)

	December 2018			
	Gross Value	Provisions	Of which: Valuation adjustments on impaired assets, at the time of foreclosure	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**2**	**-**	**-**	**2**
Terminated buildings	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Buildings under construction	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Land	2	-	-	2
Urbanized land	2	-	-	2
Rest of land	-	-	-	-
Real estate assets from mortgage financing for households for the purchase of a home	**1,584**	**822**	**239**	**762**
Rest of foreclosed real estate assets	**332**	**182**	**31**	**150**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,052**	**218**	**179**	**834**
Total	**2,970**	**1,222**	**449**	**1,748**

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2019 and 2018 amounted to €1,149 and €1,584 million, respectively, with an average coverage ratio of 51.0% and 51.9%, respectively.

As of December 31, 2019 and 2018, the gross book value of the BBVA Group's total real-estate assets (business in Spain), including other real-estate assets received as debt payment, was €1,625 and €1,918 million, respectively. The coverage ratio was 51.4% and 52.3%, respectively.

This Appendix is an integral part of Note 5 of the condensed financial statements for the year ended December 31, 2019.

APPENDIX XII. Refinanced and restructured operations and other requirements under Bank of Spain Circular 6/2012

REFINANCING AND RESTRUCTURING OPERATIONS

a) Policies and strategies established by the Group to deal with risks related to refinancing and restructuring operations.

Refinancing and restructuring operations (see definition in the Glossary) are carried out with customers who have requested such an operation in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring operation is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.
- With the aim of increasing the solvency of the operation, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.
- This analysis is carried out from the overall customer or group perspective.
- Refinancing and restructuring operations do not in general increase the amount of the customer's loan, except for the expenses inherent to the operation itself.
- The capacity to refinance and restructure loan is not delegated to the branches, but decided on by the risk units.
- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing and restructuring loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of customer's loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of operations based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the operation in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.
- Refinancing and restructuring of operations is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing and restructuring operations are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group's policy, the conclusion of a loan refinancing and restructuring operation does not meet the loan is reclassified from "impaired" or "standard under special monitoring" to outstanding risk. The reclassification to the "standard under special monitoring" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as impaired for reasons other than their default when there are significant doubts that the terms of their refinancing may not be met; or
- "Normal-risk assets under special monitoring" until the conditions established for their consideration as normal risk are met).

The conditions established for assets classified as “standard under special monitoring” to be reclassified out of this category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan or other objective criteria, demonstrating the borrower´s ability to pay, have been verified; and
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan;
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The BBVA Group’s refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non- renegotiated loans in the same portfolios).

b) Quantitative information on refinancing and restructuring operations.

DECEMEBER 2019
BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	72	92	64	64	49	-	11
Other financial corporations and individual entrepreneurs (financial business)	228	5	23	3	2	-	3
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	39,015	2,585	8,582	2,365	1,467	35	1,829
Of which: financing the construction and property (including land)	458	47	1,092	631	376	10	265
Rest homes (*)	46,560	646	46,782	5,132	3,956	2	1,046
Total	**85,875**	**3,328**	**55,451**	**7,564**	**5,474**	**37**	**2,889**

Of which: IMPAIRED

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	45	41	30	21	16	-	7
Other financial corporations and individual entrepreneurs (financial business)	129	3	12	1	1	-	3
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	22,465	1,719	5,062	1,563	825	9	1,696
Of which: financing the construction and property (including land)	428	43	715	423	206	-	244
Rest homes (*)	28,332	408	23,261	2,514	1,775	1	841
Total	**50,971**	**2,171**	**28,365**	**4,099**	**2,617**	**10**	**2,547**

DECEMEBER 2018
BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	67	110	46	64	52	-	15
Other financial corporations and individual entrepreneurs (financial business)	234	10	31	4	3	-	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	37,664	2,469	10,877	3,134	1,817	52	2,076
Of which: financing the construction and property (including land)	601	35	1,514	938	489	10	426
Rest homes (*)	45,862	582	54,134	6,047	4,478	2	1,222
Total	**83,827**	**3,171**	**65,088**	**9,249**	**6,350**	**54**	**3,315**

Of which: IMPAIRED

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	43	65	12	16	8	-	10
Other financial corporations and individual entrepreneurs (financial business)	127	2	14	2	1	-	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	21,289	1,750	6,559	2,129	1,045	11	1,924
Of which: financing the construction and property (including land)	553	32	1,050	639	248	-	392
Rest homes (*)	28,225	394	28,695	3,263	2,207	1	1,003
Total	**49,684**	**2,211**	**35,280**	**5,410**	**3,261**	**12**	**2,939**

c) Loans and advances to customers by activity (carrying amount)

December 2019 (Millions of euros)

				Collateralized loans and receivables -Loans and advances to customers. Loan to value				
	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	14,828	360	439	59	209	63	460	8
Other financial institutions and financial individual entrepreneurs	17,614	194	11,634	88	36	3	11,637	64
Non-financial institutions and non-financial individual entrepreneurs	79,389	11,113	1,936	4,498	3,770	2,168	1,069	1,544
Construction and property development	1,989	1,864	21	685	546	405	125	124
Construction of civil works	5,192	676	155	276	206	134	48	167
Other purposes	72,208	8,573	1,760	3,537	3,018	1,629	896	1,253
Large companies	48,777	2,265	621	953	753	344	212	624
SMEs (**) and individual entrepreneurs	23,431	6,308	1,139	2,584	2,265	1,285	684	629
Rest of households and NPISHs (***)	92,644	76,735	407	15,995	20,442	21,173	11,812	7,720
Housing	76,339	74,272	121	15,175	19,692	20,493	11,560	7,473
Consumption	11,976	116	177	63	73	101	32	24
Other purposes	4,329	2,347	109	757	677	579	220	223
TOTAL	204,475	88,402	14,416	20,640	24,457	23,407	24,978	9,336
MEMORANDUM:								
Forbearance operations (****)	*8,003*	*6,131*	*43*	*1,024*	*1,152*	*1,285*	*1,054*	*1,659*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

d) Concentration of risks by activity and geographical area (carrying amount)

December 2019 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	77,838	22,799	34,382	11,450	9,207
General governments	60,890	46,094	7,949	3,386	3,461
Central Administration	43,830	29,594	7,508	3,363	3,365
Other	17,060	16,500	441	23	96
Other financial institutions and financial individual entrepreneurs	64,524	17,435	22,207	23,624	1,258
Non-financial institutions and non-financial individual entrepreneurs	121,510	75,275	24,094	14,025	8,116
Construction and property development	2,997	2,997	-	-	-
Construction of civil works	7,489	5,734	1,153	203	399
Other purposes	111,024	66,544	22,941	13,822	7,717
Large companies	85,801	42,146	22,251	13,715	7,689
SMEs and individual entrepreneurs	25,223	24,398	690	107	28
Other households and NPISHs	92,917	90,704	1,880	114	219
Housing	76,340	75,754	283	101	202
Consumer	11,977	11,953	9	8	7
Other purposes	4,600	2,997	1,588	5	10
TOTAL	417,679	252,307	90,512	52,599	22,261

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of loss allowances.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

December 2019 (Millions of euros)

	TOTAL (*)	Andalucía	Aragon	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla y León	Cataluña
Credit institutions	22,799	1,175	319	-	174	-	1,112	7	-	393
Government agencies	46,094	1,707	718	454	517	426	25	430	947	2,493
Central Administration	29,594	-	-	-	-	-	-	-	-	-
Other	16,500	1,707	718	454	517	426	25	430	947	2,493
Other financial institutions and financial individual entrepreneurs	17,435	82	48	4	167	5	1	1	59	745
Non-financial institutions and non-financial individual entrepreneurs	75,275	5,946	1,330	970	1,954	2,090	422	1,176	1,224	13,266
Construction and property development	2,997	404	46	36	54	97	5	36	35	777
Construction of civil works	5,734	425	64	43	160	112	26	81	75	1,115
Other purposes	66,544	5,117	1,220	891	1,740	1,881	391	1,059	1,114	11,374
Large companies	42,146	1,669	557	588	1,191	742	189	334	343	5,883
SMEs and individual entrepreneurs	24,398	3,448	663	303	549	1,139	202	725	771	5,491
Other households and NPISHs	90,704	12,950	1,381	1,250	2,040	3,840	852	2,572	2,888	27,706
Housing	75,754	10,927	1,194	985	1,771	2,956	739	2,141	2,385	24,292
Consumer	11,953	1,707	174	211	242	794	83	377	394	2,333
Other purposes	2,997	316	13	54	27	90	30	54	109	1,081
TOTAL	252,307	21,860	3,796	2,678	4,852	6,361	2,412	4,186	5,118	44,603

December 2019 -Spain (Millions of euros)

	Extremadura	Galicia	Madrid	Murcia	Navarra	Comunidad Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit institutions	-	528	17,716	-	-	363	1,012	-	-
Government agencies	191	833	3,869	246	645	995	1,863	79	62
Central Administration	-	-	-	-	-	-	-	-	-
Other	191	833	3,869	246	645	995	1,863	79	62
Other financial institutions and financial individual entrepreneurs	1	59	15,982	2	-	5	274	-	-
Non-financial institutions and non-financial individual entrepreneurs	799	2,121	29,855	1,377	1,009	4,335	7,010	276	115
Construction and property development	16	93	993	16	6	213	150	9	11
Construction of civil works	39	180	2,815	71	58	234	217	10	9
Other purposes	744	1,848	26,047	1,290	945	3,888	6,643	257	95
Large companies	246	963	21,400	513	629	1,473	5,322	96	8
SMEs and individual entrepreneurs	498	885	4,647	777	316	2,415	1,321	161	87
Other households and NPISHs	1,390	3,005	16,336	1,896	491	8,251	2,779	332	745
Housing	1,119	2,444	12,604	1,531	412	7,011	2,325	281	637
Consumer	237	458	3,130	326	63	997	292	39	96
Other purposes	34	103	602	39	16	243	162	12	12
TOTAL	2,381	6,546	83,758	3,521	2,145	13,949	12,938	687	922

(*)The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of loss allowances.

APPENDIX XIII. Agency Network

GESTIONES MARTIN BENITEZ, S.L.
SOSA BLANCO, SERVANDO
DOBLAS GEMAR, ANTONIO
DELGADO GARCIA, JOSE LUIS
GUZMAN GONZALEZ, EMILIANO
TIO & CODINA ASSESSOR D'INVERSIONS, S.L.
ESTHA PATRIMONIOS, S.L.
ARCOS GONZALEZ, FELIX
GARCIA FONDON, CONSTANTINO
TORRES MONTEJANO, FELIX
GESTORIA HERMANOS FRESNEDA, S.L.
B&S GLOBAL OPERATIONS CONSULTING, S.A.
TORRECILLAS BELMONTE, JOSE MARIA
JUAN JOSE ORTIZ, S.L.
ASESORIA VELSINIA, S.L.
LOPEZ RASCON, MARIA JESUS
ASESORES MOLINA, S.L.
LINARES LOPEZ, RAMÓN
GESTIONS I ASSEGURANCES PERSONALIZADES, S.L.
REBOLLO CAMBRILES, JUAN ROMAN
GARCIA PEREZ, ALICIA
GROS MONSERRAT, S.L.
POGGIO, S.A.
SERVIGEST GESTION EMPRESARIAL, S.L.
MUÑOZ VIÑOLES, S.L.
FERNANDO BAENA, S.L.
NOVAGESTION MARINA BAIXA, S.L.
ROMAN BERMEJO, MARIA ISABEL
LIMONCHI LOPEZ, HERIBERTO
FERNANDEZ ALMANSA, ANGEL ALEJANDRINO
CLIMENT MARTOS, MARIA ROSARIO
VIDAL JAMARDO, LUIS RAMON
MERIDIAN ASESORES, S.L.
FERNANDEZ ONTAÑON, DANIEL
MUÑOZ BERZOSA, JOSE RAMON
ASESORIA EUROBILBAO, S.L.
CAMPOS CARRERO, MARIA JOSEFA
DOMINGUEZ CANELA, INES
GOMEZ EBRI, CARLOS
ASESORIA CM, C.B.
GOPAR MARRERO, PABLO

RECAJ ERRUZ, ENRIQUE CLEMENTE
CRESPO CRESPO, ANGEL MANUEL
TWOINVER IBERICA, S.L.
CEASA ASESORES FISCALES, S.L.
IBERBROKERS ASESORES LEGALES Y TRIBUTARIOS, S.L.
DE ASTOBIZA AGUADO, IGNACIO
MATTS ASSESSORS LEGALS I ECONOMISTES, S.L.
LLAMAZARES GALVAN, ALBERTO
MENDEZ HERNANDEZ, CAYETANO
ASESCON GESTION INTEGRAL, S.L.
REY PAZ, ROCIO
LEON ACOSTA, MANUEL TOMAS
SALAMERO MORENO, JOAQUIN
LOGROSA SOLUCIONES, S.L.
OTC ORIENTA PYMES, S.L.
CALVO HERNAN, ALICIA
OTERO ALVAREZ, JULIA
SAUN FUERTES, MARIA JOSE
MITJAVILA Y ASOCIADOS ESTUDIO JURIDICO FISCAL, S.L.
RENTA INMOBILIARIA ARAGONESA, S.L.
BACHS RABASCALL, JOSEP
ESPIÑA GALLEGO, ANA MARIA
ARAGESTIN, S.L.
SEOANE MENDEZ, ROBERTO
GARCIA ROSALES, JUAN ANTONIO
ABELENDA MONTES, MANUEL
SANZ FUENTES, LUIS ALBERTO
BAGUR CARRERAS ASSESSORS, S.L.
MARTINEZ VECINO, MARIA CONCEPCION
MARTIN PEREZ ASSESSMENT, S.L.P.
GOMEZ DE MAINTENANT, MARTA MARIA
ROMAN CAMPOS, MARIA ETELVINA
GRANDA RODRIGUEZ DE LA FLOR, ARMANDO
TARSIUS FINANCIAL ADVICE, S.L.
FIRVIDA PLAZA, BELEN
ASESORIA ANTONIO JIMENEZ LOPEZ, C.B.
BG ASESORIA DE FINANZAS E INVERSIONES, S.L.
ASESORIA Y SERVICIOS DE GESTORIA CABELLO, S.L.
MOUZO CASTIÑEIRA, JESUS ANTONIO
PEREZ SIERRA ASESORES, S.L.
TOLEDO VALIENTE, MARIA GLORIA

GOMEZ JUEZ, ARTURO MARIA
UNAEX CONSULTORIA DE EMPRESAS, S.L.
PRESUPUESTAME EXTREMADURA, S.L.
CICONIA CONSULTORIA, S.L.
EXIT ASESORES, S.L.
GESTEIRO MOREIRA, JOSE GERMAN
GIT CANARIAS, S.L.
LAMBERT CASTELLO, S.L.
GOMEZ RODRIGUEZ, FRANCISCO MANUEL
ALABMAX FUER CONSULTING, S.L.
FAJAS CONSULTING, S.L.
MEDITERRANEA BLAVA, S.L.
DSS PROGRESS CONSULTORES, S.L.
PIÑERO MARTINEZ, MARIA ISABEL
GV GABINET D'ASSESSORAMENT JURIDIC, S.L.
ANDERSEN ABOGADOS, C.B.
RAIPE CONSULTORS, S.L.P.
GABINETE AGUAR-GARCIA, S.L.P.
BERMUDEZ CARO, S.L.
SOTOHANDY, S.L.
ASSEGUR 94, S.L.
ALERCIA INTERNATIONAL WEALTH MANAGEMENT, S.L.
PINO RUIZ, MARIA DEL ROSARIO
ALVAREZ-PINSACH ASSESSORS, S.L.
INMOBILIARIA DANADOM, S.L.
AVAFISC, S.L.
EDAR ASSESSORIA EMPRESARIAL, S.L.
CABRE DE LA CRUZ, LAIA
PECINO MARTIN, MARIA NINOSKA
FREZ TORIBIO, HERMINIA
BELTRAN BENITEZ, VICENTE
PINEDA ALCALA, JAIME
MARQUEZ BRAZQUEZ, JUAN ALBERTO
BRS-TURIA ASSESSORIA EMPRESARIAL, S.L.L.
CANO Y MARTIN ASESORES FINANCIEROS, S.L.
FONTECHA MAISO, S.L.
MARTIN HERNANDEZ, FERNANDO
OVIX ASESORES, S.L.
SOLUCIONES EMPRESARIALES GDM-A, S.L.
ACTLEAD CONSULTING, S.L.
FRASCOGNA , FERNANDO JAVIER

LOSADA LOPEZ , ANTONIO	DELGADO OJEDA, MARIA ANGELES	CUESTA MALAGON, ADRIAN
ENRIQUE AMOR CORREDURIA DE SEGUROS, S.L.	INVERSORA MARTIARTU, S.L.	JOVACE, S.L.
HUERTAS FERNANDEZ, JUAN ANTONIO	AFYSE INIESTA ASESORES, S.L.	BLANCO OVIEDO, ALBERTO
REIFS PEREZ, MANUEL	GESTITRAMI FINANCIAL, S.L.	BUFETE GARCIA PETITE, S.L.P.
GESPIME ROMERO MIR, S.L.	DIAZ RISCO, MARIA LUISA	VIALEX BUSINESS CONSULTING, S.L.
FORUARGI, S.L.	INVERGESTION MALLORCA, S.L.	RUIZ RUIZ, PEDRO
GUTIERREZ DE GUEVARA, S.L.	SERBANASER 2000, S.L.	CONTABCN ASSESSORAMENT I GESTIO D'EMPRESES, S.L.
ACREMUN, S.L.	FERREIRA FRAGA, JULIAN	DURAN LOPEZ, LAURA
SERRANO QUEVEDO, RAMON	ACTIVIDADES FINANCIERAS Y EMPRESARIALES, S.L.	GABINET OBRADOR & TAULER, S.L.
PYME'S ASESORIA, S.L.	RODRIGUEZ OTERO, MIRIAN	FERRERA RODRIGUEZ, ANDREA
MESANZA QUERAL, ALBERTO GUILLERMO	ORTIZ ALVAREZ, BENITO	VARELA PAZ, ANABEL
FERNANDEZ SERRA, S.L.	RODRIGUEZ CIFUENTES, IVAN	RODRIGUEZ RODRIGUEZ-VILA, ENRIQUE
ASESORIA LIZARDI, S.L.	ALCACER FABRA, FRANCISCO	ROVIRA GONZALEZ, ANNA
ROGADO ROLDAN, ROSA	RECIO CEÑA, TOMAS	QUINTANA POU, JORDI
RUIZ DEL RIO, ROSA MARIA	CRESPO GOMEZ, LUCAS	ORRA PUIG, FRANCISCO
FERNANDEZ-MARDOMINGO BARRIUSO, MIGUEL JOSE	TARRAKO IDEX CORPORATION, S.L.	NEWCOUNSEL, S.L.
CASTELL AMENGUAL, MARIA	COMES & ASOCIADOS ASESORES, S.L.P.	VALLO & ASOCIADOS-ABOGADOS, S.L.P.U.
MARTINEZ PUJANTE, ALFONSO	SARA Y LETICIA, S.L.	MODESTO PEREZ & CIA, S.L.
CERTOVAL, S.L.	HERNANDEZ FERRERA, JOSE ALBERTO	COLLADO VALDIVIESO, JAVIER JESUS
J. A. GESTIO DE NEGOCIS, S.A.	SERVICIOS JURIDICOS VENTANOVA, C.B.	ATANES GONZALEZ, SILVIA
MARTINEZ MOYA, DIEGO	HERNANDEZ SANCHEZ, MARIA ISABEL	ARIAS CONSULTORES EMPRESARIALES, S.L.
SIERRA TORRE, MIGUEL	WIZNER FAMILY OFFICE, S.L.	ARBO ANGLADA, SEBASTIAN
INVERSIONES TECNICAS GRUPO CHAHER, S.L.	ARROYO DIAZ, CARLOS HUGO	CARTERA DE ASESORIA MEDITERRANEA, S.L.
PRADO PAREDES, ALEJANDRO	MARTINEZ GARCIA, PEDRO RAFAEL	DECONTAS XESTORIA ADMINISTRATIVA, S.L.P.
ASC, S.C.C.L.	PROINVER PARTNERS, S.L.	GESTORIA ADMINISTRATIVA XESTIONA, S.L.
GARCIA OVALLE, OSCAR	CAFARES, S.L.U.	F. FERNANDEZ CABRA, S.L.P.
CAÑAS AYUSO, FRANCISCO	JUNQUERA FRESCO, BEATRIZ INMACULADA	DELGADO AVIVAR, JUAN FRANCISCO
ALBIÑANA BOLUDA, AMPARO	ALVAMAR GESTIONES Y CONTRATACIONES, S.L.	BUENESTADO BARROSO, JOSE LUIS
RINCON GUTIERREZ, MARIA PILAR	ORTS BERENGUER, JUAN JOSE MARIA	MOREJON ALTURA, JOSE CARLOS
CAPAFONS Y CIA, S.L.	BAUZA MARTORELL, FELIO JOSE	ARCADIO INVERSIONES Y ASESORAMIENTO, S.L.
COSTA CALAF, MONTSERRAT	FINACO ASESORES, S.L.	UNIPRASA, S.L.P.
ROY ASSESSORS, S.L.	INVESTIMENTOS XURDE PABLO, S.L.	FAUS GOMAR, ESTEBAN
MARTINEZ CASTRO, MANUEL FRANCISCO	SALAET FERRES, MARISA	GARMENDIA EGUREN, UNAI
RIBERA AIGE, JOSEFA	HERAS HERNANDEZ, FERNANDO	ADGES ASESORES, S.L.
SABATE NOLLA, TERESA	J.M. CORUJO ASESORES, S.L.	GALAN DEL POZO, JAVIER
ALCANTARA IZQUIERDO, CRISTINA	CASTAÑEDA PEREZ, PABLO	VAZQUEZ GALIANO, MIGUEL
PRADA PRADA, MARIA CARMEN	HERNANDEZ ALEJANDRO, JOSE MANUEL	GONZALEZ GONZALEZ, LORENA
SALVIA FABREGAT, MARIA PILAR	NARANJO PEREZ, JUAN CARLOS	GALAN MERA, FERNANDO
VALENCIA TRENADO, MANUEL RODRIGO	CACERES PORRAS, C.B.	E.S.C. CONFISA, S.L.
PELLICER BARBERA, MARIANO	PAZ GRANDIO, FRANCISCO JOSE	JONES , JOHN PAUL
SAMPER CAMPANALS, PILAR	RAMOS SOBRIDO, JOSE ANDRES	PASTOR ARANDA, C.B.
DOMINGUEZ JARA, RAFAEL JESUS	AROSTEGUI ARGALUZA, MARIA VICTORIA	DIRECCION Y ASESORAMIENTO FISCAL, S.L.
CARDENO CHAPARRO, FRANCISCO MANUEL	FUENTE RODRIGUEZ, MARIA PILAR	SERRANO TEJADA, DOMINGO
CARBO ROYO, JOSE JORGE	GESDIA ASESORES, S.L.U.	MARCONEL ROMERO, CARMEN

CREIXELL GALLEGO, XAVIER	PERELLO Y TOMAS, S.L.	MARTINEZ NAVARRO, CARLOS
CASADO GALLARDO, GERARDO	GARCIA DIAZ, RAMON JESUS	GF CONSULTORIA DE EMPRESAS, S.L.
EKO - LAN CONSULTORES, S.L.	ILIEVA NENKOVA, KATIA	STEIN TAX & LEGAL ADVISORS, S.L.
PEÑA PEÑA, MANUEL	IDF ALL FINANCING, S.L.	GESFISER IBR, S.L.
MONTEAGUDO NAVARRO, MARIA	SUBIRATS ESPUNY, MARIA DOLORES	KARMELE OLEAGA GOYA S.L.P.
GONZALEZ MOSQUERA, FERNANDO	COLON DE CARVAJAL SOLANA CARDONA ABOGADOS, S.L.P.	ETXEBARRIA ITURRIONDOBEITIA, JOSE MARTIN
SANCHEZ ELIZALDE, JUAN FRANCISCO	C. BURGOS GATON, S.L.	CRESPO SCIGLIANO, DANIEL ALEJANDRO
LANAU ALTEMIR, RAMON ANGEL	SERNA MINONDO, MARIA ANTONIA	MONACASA2015 SL
CAMPDEPADROS CORREDURIA D'ASSEGURANCES, S.L.	CAMACHO MARTIN, ANTONIA	LEON CALDERON, MARICRIS
CERQUEIRA CRUCIO, FERNANDO	BADILLO SUAREZ, MARIA SANDRA	GEXES CONSULTORES Y ASESORES DE EMPRESA, S.L.
EPC ASSESORS LEGALS I TRIBUTARIS, S.L.	CENTRO ASESOR MONTEHERMOSO, S.L.	ACETA SERVICIOS LEGALES Y TRIBUTARIOS, S.L.
GABINETE AFIMECO ASESORES, S.A.L.	HOY DE 2004, S.L.	GARCIA BARROSO, JUAN
GESTION FINANCIERA MIGUELTURRA, S.L.	VILLORO OLLE, ROGER	BCN SOLUTIONS 2010, S.L.
REYES BLANCO, RAFAEL	TORRES PEREZ, JOSE ARISTIDES	RODRIGUEZ ROBLES, MARIA CRISTINA
DIAZ GARCIA, MARINA	DUQUE MEDRANO, JUAN CARLOS	ALAMA SELMA, VICENTE IDELFONSO
AULES ASESORES, S.L.	HELP CONTROL DE GESTION, S.L.	NAVARRO MENDEZ, JOSE LUIS
ESINCO CONSULTORIA, S.L.	BALSEIRO PEREZ DE VILLAR, RICARDO	BASTIAS NOGALES, FELIX
MORILLO MUÑOZ, C.B.	PEDRO LOPEZ PINTADO E HIJOS, S.L.	DORA MAIPU, S.L.
RODRIGUEZ DELGADO, RENE	BUFET ENRIC LLINAS, S.L.P.	GOMEZ MARTINEZ, ILDEFONSO
PUJOL HUGUET, AMADEU	RODON I VERGES ASSOCIATS, S.L.	BAS LOPEZ, RAFAEL
GABINET D'ECONOMISTES ASSESSORS FISCALS, C.B.	FRANCISCO JOSE PEÑUELA SANCHEZ, S.L.	NAVARRO BENITEZ, MARIA RAFAELA
PEÑA LOPEZ, MILAGROS	ROBLES SANCHEZ, ROSA MARIA	DUETS EXUS SL
OFICINAS EMA, S.L.	ZUBIZARRETA UNCETA, AITOR	PACHECO NOTARIO, FRANCISCO MIGUEL
DE DIEGO MARTI, FRANCISCO JOSE	CANO LOBATO, BEATRIZ	BIZURI, S.L.
BUSTAMANTE FONTES, MAYDA LOURDES	GONZALEZ MONZON, MARIO	PEREZ RODRIGUEZ, JULIAN
ASESORIA MERFISA, C.B.	REZA MONTES, FRANCISCO JAVIER	ASESCO MALLORCA ASESORES E INVERSORES, S.L.
INVAL 02, S.L.	MENDIZABAL GOIBURU, AGUSTIN	ARZANEGI PINEDO, GOTZON
CARRASCO MARTIN, ELOY	GARCIA SANCHEZ, LUIS	CARRASCO PEREZ, VICTOR
LOGARILL & ASOCIADOS, S.L	INVERSIONES IZARRA 2000, S.L.	ISABEL GONZALEZ, MARIA DEL VALLE
MUIÑO DIAZ, MARIA DEL MAR	LEMES ASESORES FISCALES, S.L.	ASALA SERVICIOS EMPRESARIALES, S.L.
AMOEDO MOLDES, MARIA JOSE	M. L. BROKERS, S.L.	GARCIA LOPEZ, PEDRO JOSE
PLANELLS ROIG, JOSE VICENTE	MARBAR ASESORES 2014, S.L.	CGA CONSULTORES CASTELLON S.L.
MARTI TORRENTS, MIQUEL	AYZAGAR SOTO, JAVIER	MATEO NOGUERA, ANTONIO
FERRER GELABERT, GABRIEL	ORTEGA ALTUNA, FERNANDO MARIA	MAIRENA GAMIZ, MANUEL
ISACH GRAU, ANA MARIA	ASEBIL - HERBLA ASESORES, S.L.	CORREDURIA DE SEGUROS E INVERSIONES GONZALEZ DEL ALAMO, S.L.
GARCIA DIAZ, MARIA DEL CARMEN	CLUSTER ASESORES, S.L.	ASESORES E CONSULTORES GESCON, S.L.
VAZQUEZ DIEGUEZ, JOSE ANDRES	ABADIA EXPLOTACIONES HOTELERAS, S.L.	TAT TECNICA ASESORA TRIBUTARIA, S.L.
ALONSO BAJO, LORENZO	RODRIGUEZ PEREZ, MARIA JOSE	ROMEHU CONSULTORES Y ASOCIADOS, S.L.
GRASSA VARGAS, FERNANDO	AGORA PROFESS, S.L.	GALARRETA Y PROVEDO, S.L.
RUA PIRAME, ENRIQUE	EZEQUIEL & SANCHEZ CONSULTORES, S.L.	GARCIA SALGADO, S.L.
DESPACHO ABACO, S.A.	SEMPERE & PICO ASESORES, S.L.	ASESORAMIENTO INTEGRAL DE PYMES, S.L.
ORTUÑO CAMARA, JOSE LUIS	DE FALGUERA MARTINEZ-ALARCON, ANTONIO	ELITE ADMINISTRACION SL
ASESORIA ASETRA, S.L.	SERRANO VACAS, JUAN CARLOS	VICENTE MENDO, BEATRIZ
RUIZ ESCALONA, ANTONIO	ARTAJO JARQUE, FERNANDO MARIA	GESTORIA COR, S.L.

FERNANDEZ-LERGA GARRALDA, JESUS	ALBOA 17.8, S.L.	MASDEMAR, S.L.
SANCHEZ MESA, FRANCISCO	GESTORIA MONTSERRAT, S.L.	ASESORES MASAED, S.L.
SERTE RIOJA, S.A.P.	ASESORIAS NAPOLES, S.L.	RUIZ BARCELO SERVICIOS JURIDICOS, S.L.
GARCIA ALVAREZ-REMENTERIA, ANTONIO	MARTIN NADAL, ALBERTO	ORTIGOSA ORTIGOSA, JUAN
NANOBOLSA, S.L.	GARCIA LORENZO, JAVIER	SUENGAS GOENECHEA, ALFONSO
PEREZ MASCUÑAN, JORGE	SANTANA GONZALEZ, TEODOMIRO	GAT ASESORES, S.C.
GRUP DE GESTIO PONENT DOS ASSEGURANCES, S.L.	GASCON VAL, JESUS	GOMEZ DIAZ, MOISES
SOCIEDAD COOPERATIVA AGRARIA SAN ANTONIO ABAD	GESTAE VALENCIA, S.L.	RSC GRUPO ASESOR - ASESORAMIENTO EMPRESARIAL PERSONALIZADO, S.L.
REGLERO BLANCO, MARIA ISABEL	LANERO PEREZ, MIGUEL ANGEL	GOODWAY TAX & LEGAL, S.L.
BERNIER RUIZ DE GOPEGUI, MARIA ISABEL	JUESAS FERNANDEZ, ENRIQUE	EUROASESORES DE HARO Y MUÑOZ, S.L.
ESPALLARGAS MONTSERRAT, MARIA TERESA	FLORES MOLERO, GREGORIO	PUCHE ALACID, JOSE
JULIAN SANZ, MARIA	CANTOS Y PASTOR CONSULTING, S.L.	ACTUAL CONTABILIDAD, S.L.
ARANDA GARRANCHO, ANA MARIA	ARCHS PRETEL, FRANCISCO	CONTAXNOM SOLUCIONES SL
LORENZO VELEZ, JUAN	ESCRIBANO BUENO, JOSE ALBERTO	CARRASCOSA MORON, LUISA DEL CARMEN
FRANCES Y BARCELO, C.B.	LLIRIA HOME, S.L.	PARES FONTANALS, JAUME
MOLINA LOPEZ, RAFAEL	ROMERO RODRIGUEZ, JOSE GIL	SANCHEZ MARTIN, JULIA
SALADICH OLIVE, LUIS	GESTIONS EMPRESARIALS CABIROL, S.L.	MARISCAL RODRIGO, JAVIER VICENTE
ESPARCIA CUESTA, FELISA	CLAPES ESQUERDA, RAMON LUIS	MASNOU PALAU, RAMON
MARTIN GRANADOS, JUAN	GABINETE JURIDICO GESFYL, S.L.	INVERCEPAL 2004, S.L.
PROYECTOS INTEGRALES FINCASA, S.L.	GRADO CONSULTORES, S.L.	FINANSEGUR ASESORES, S.L.
FERNANDEZ RIOS, MARIA GORETTI	SALOR XVI, C.B.	HERRAIZ CONSULTORES, S.L.
GESTICONTA 2000, S.L.	MORACHO MUÑOZ, JOSE ANGEL	GESCINCO, S.A.
ASUNFIN, S.L.	GONZALEZ PEREZ, ANA RUTH	INVERSIONES AGUIMA, S.C.
CADENAS DE LLANO, S.L.	INFOGES PYME, S.L.	CREDIT LINE SANTANDER 2002, S.L.
GARCIA GONZALEZ, PILAR	TELEMEDIDA Y GAS, S.L.	ASEPRO ASESORES, S.L.
GONZALEZ RODRIGUEZ, FRANCISCO	GESTIONA E INNOVA SERVICIOS ADMINISTRATIVOS, S.L.U.	GESTORIA ASESORIA GRAMAGE, S.L.
PEREZ SOTO, PABLO MANUEL	SOMOZA SIMON Y GARCIA, C.B.	VALERO GARCIA, PAULINO
CASTRILLO PEREZ, TRINIDAD	MARQUES BARO, S.L.	GUINDEZ JIMENEZ, JOSE LUIS
EFILSA, S.C.	BARBA VALDIVIESO, MARIA ISABEL	GUTIERREZ ORTEGA, FERNANDO
CLEMENTE BLANCO, PAULA ANDREA	YBIS XXI, S.L.	ASESORAMIENTO DE IDEAS Y NEGOCIOS, S.L.
HIDALGO GOMEZ, VALENTINA	CUTTER BUSINESS, S.L.	JARAIZ SELECCION, S.L.
GESTORED CONSULTING, S.L.	FERREIRO GARCIA, MARIA CRISTINA	BLOTUH, S.L.
SANCHEZ ROMERO, BENITO	ALBA ASESORIA INTEGRAL, S.L.	GUIMERA ASSESSORS, S.L.
FERNANDEZ SILVA, DIEGO MARIA	ASHTON SPARROWHAWK, GILLIAN PAMELA	ASESORES TECNICOS, ASENJO Y GIL, C.B.
MARTINEZ HERNAEZ, MARIA DOLORES	NEGOCIOS DIZMOR, S.L.	ESZACAR, S.L.
RUIZ-ESTELLER HERNANDEZ, GUSTAVO	REDIS INVERSIONS, S.L.	BUESO MERINO, DAVID
LAR CENTRO EMPRESARIAL, S.A.	FRANK ASESORES, S.L.	PUERTAS NAVARRO, VANESSA
HEREDERO POL, OSCAR EDUARDO	ALARCON COROMINAS, SERGIO LUIS	ALVAREZ MARTINEZ, JAVIER
MASSOT PUNYED, MONTSERRAT	BERROCAL URBANO, FRANCISCO JESUS	ASESORAMIENTO Y GESTIONES NOROESTE, S.L.P.
ESCUTIA DOTTI, MARIA VICTORIA	MORENES SOLIS, MARIA ROCIO	LUNA CANGA, FRANCISCO
SERJACAT, S.L.	GABINETE A3 ASESORES CONSULTORES, S.A.	LLOPIS CARDONA CONSULTORES Y ASOCIADOS, S.L.
SHIRELA FINANCE, S.L.	ZONA JURIDICA AGENTE, S.L.	INDICE CONSULTORES DE EMPRESA, S.L.
RUIZ CASAS, JUAN BAUTISTA	ALDAIA 94, S.L.	BRAVO NUFRIO, ROSA MARIA
OLIVA PAPIOL, ENRIQUE	LUNA GARCIA MINA, ANTONIO FERMIN	SAORIN MOROTE, JOSE ANTONIO

FINANCIAL TOOLS BCN, S.L.	PROYECTOS PINTON, S.L.	CANTERO MARQUEZ, JUAN JOSE
GIL USON, MARTA	FORCADA RIFA, DAVID	IMCB CONSULTORIA, S.L.
PERALTA Y ARENSE ASESORES Y CONSULTORES, S.L.	TRAMITS I FORMES, S.L.	ASSESSORIA ELOI, S.L.
DOMUS AVILA, S.L.	CANO PEREZ, ANTONIO	MAPA INNOVACIO, S.L.
RUIZ MORENO, EVA	POLO PRIETO, BORJA	BEREA ASESORAMIENTO Y GESTION, S.L.P.
RIVAS ANORO, FERNANDO	CASTILLO YBARRA, MARIA DEL CARMEN	ZHANG , SHENG
PEREZ-ARCOS ALONSO, JUANA MARIA	CUÑAT ALVAREZ OSSORIO, JUAN LUIS	VIDAL SERVEIS D'ASSESSORAMENTS I GESTIO, S.L.P.
CARBONELL ALSINA, CHANTAL	FERNANDEZ QUILEZ, BEGOÑA MONICA	MARSAL SERVEIS DE GESTIO, S.L.
MOLINA LUCAS, MARIA ALMUDENA	SMITH BASTERRA, FRANCISCO JAVIER	IENODE, S.L.L.
ARIZA GIL , JESUS	GINES LAHERA, DARIO ALFONSO	IRISARRI PRIETO, S.L. - CORREDURIA DE SEGUROS
PEREZ GUILARTE Y ASOCIADOS, S.L.	RIVAS URBANO, JOSE	MP SERVEIS D'EMPRESES, S.L.
CONTABILIDADES INFORMATIZADAS DE SAN ANTONIO, S.L.	ACERTIUS SUMA CAPITAL, S.L.	FIKA CONSULTORIA, S.L.
SINTAS NOGALES, FRANCISCO	ZUECO GIL, JESUS ANGEL	LOPEZ GARCIA, ANDRES
VADILLO ALMAGRO, MARIA VICTORIA	DIAZ RODRIGUEZ PALMERO, JAVIER ADOLFO	PASTOR MUÑOZ, MARIA TERESA
SANCHEZ SAN VICENTE, GUILLERMO JESUS	PATRIAL, S.A.	ACYSE ASESORES, S.L.
ESQUIROZ RODRIGUEZ, ISIDRO	MARTINEZ RIVADAS, FRANCISCO	VORZEBOL ASESORIA, S.L.
ALZO CAPITAL, S.L.	FINANCIAL LIFE PLANNING, S.L.	GESTORIA BRAVO BERRUECO S.L.P.
SEGUROS E INVERSIONES DEL CID & VILLAFAINA, S.L.	DE PASCUAL MASPONS, AGUSTIN	JOSE ANTONIO VALIN ROMAN - JESUS MARIA VALIN ROMAN, C.B.
IZQUIERDO DOLS , MIGUEL	ASTILSUR 2012, S.L.	ALDAZ FRANCES, ENRIQUE
GARCIA SIERRA, JOSE MANUEL	GESTION Y SERVICIOS SAN ROMAN DURAN, S.L.	MAR CONSULTING ALZIRA, S.L.
SERRANO ROJAS, JOSE MANUEL	GINE ABAD, FRANCISCO JOSE	CURRAS GARCIA, PABLO
ASESORIAS ISADOR, S.L.	PUERTAS Y GALERA CONSULTING, S.L.	ARGENTE Y MERIDA ASOCIADOS, S.L.
SERRANO DOMINGUEZ, FRANCISCO JAVIER	JUAN TORTOSA, FEDERICO	MARTINEZ GARCIA, JOSE ANTONIO
ASESORIA BERCONTA, S.L.	MENDEZ ZAPATA, MARIA DEL PILAR	IBORRA ANDRES Y OLCINA, S.R.L.
COVIBAN ASESORES INMOBILIARIOS, S.L.	MIGUEL HERNANDEZ, JAVIER	ARROYO GARCIA ASESORES, S.L.
FERNANDEZ RODRIGUEZ, ALEJANDRO	FORUMLEX XXI, S.L.	ARIZA BALLESTEROS, FRANCISCO
USKARTZE, S.L.	SANCHEZ POUSADA, JULIA	WORKUP ASESORES, S.L.
LORENZO SEGOVIA, SUSANA	DURAN VIDAL, ANNA	IVAMAR GABINETE JURIDICO, S.L.U.
OLIVER GUASP, BARTOLOME	SEGURA MASSOT, MARIA TERESA	CUEVAS MARTINEZ ASESORES, S.C.
DALMAU GOMEZ, JORDI	AGUT RODRIGO, OMAR	ASESORS I SERVICIS EMPRESARIALS SANTIAGO SANGENARO, S.L.
FRANCIAMAR, S.L.	LORES FANDIÑO, JUAN JOSE	MORALLON RODRIGUEZ, ANTONIO
ASESORES Y CONSULTORES AFICO, S.L.	PARDO CANO, FRANCISCO JAVIER	MILLAN ALCANTARA, MILAGROS ROSA
GARRIDO ABOGADOS, S.L.P.	GRANADOS ASSESSORS CONSULTORS, S.L.	MADRID FORT CORREDURIA DE SEGUROS, S.L.
MONTE AZUL CASAS, S.L.	ASESORIA EMPRESARIAL LAS MARINAS, S.L.	DOLUSA ASESORES, S.L.
ALONSO ZARRAGA, MIKEL	DIENTE ALONSO, SERGIO	CASTELLANO BELLOCH, JORGE
QUERO GUTIERREZ, CARIDAD	REY GONZALEZ, NICOLAS	LLUSAR ESCOBAR, ALVARO
RAVELO RAMIREZ, JUAN ALFONSO	CISTERO BOFARULL, MARIA	FERNANDEZ RODRIGUEZ, TRINIDAD
MAINCTA, C.B.	CHAVARRI GONZALEZ, ALVARO	DURAN SILVA, MARIA JESUS
FAUSBE 2005, S.L.	VALLS BENAVIDES, IGNACIO	HERRAEZ SANCHEZ, VICTOR AMADOR
MARTINEZ PEREZ, JOSE FRANCISCO	MONTANER ARBONA, FRANCISCO	POLO PALACIOS, S.L.
OLCADIA INVERSIONES, S.L.	MARTIN LOPEZ, CARLOS FRANCISCO	GESTI-ON BIZKAIA CORREDURIA DE SEGUROS 2015, S.L.
ADOE ASESORES, S.L.	LOPEZ GARCIA, ANTONIO PEDRO	RODRIGUEZ MENDEZ, AVELINA
ASESORIA FISCAL CONTABLE Y LABORAL TRIBUTO, S.L.	ASESORIA LEMA Y GARCIA, S.L.	POVEDA FORCADA ASOCIADOS, S.L.

BUFETE MADRIGAL Y ASOCIADOS, S.L.	PADILLA CABRERA, ROMINA DEL CARMEN	NORBA CONSULTORES DE GESTION, S.L.
ASESORIA SAGASTIZABAL, S.L.	SEGOVIA GOMEZ, JUAN ANTONIO	LOPEZ PEREZ, NOELIA AMPARO
TAMG, S.C.	BRITO PADRON, INMACULADA	ASESORIA DE EMPRESAS URBANO Y ASOCIADOS, S.L.
BERNAD GESTION FINANCIERA, S.L.	ALONSO FERNANDEZ, AGUSTIN	ASESORIA DEL VALLE, C.B.
CANOVAS 1852, S.L.	GONZALEZ MAYO, GONZALO	ALITER, S.C.P.
ROLDAN SACRISTAN, JESUS HILARIO	DEL BARCO ASENCIO, MANUEL LUIS	ASESORIA MASTER QUATER, C.B.
AGENCIA JOSE OLIVA-JOV, S.L.	FERNANDEZ GALBIS, RAMIREZ DE CARTAGENA Y BRAZO, S.L.	BENAVENT ALBA, CESAR
ECBATAN, S.L.	OLMO BARONA, ANDRES	ARGFYCO, S.L.
REMON ROCA, RAMON TOMAS	SANCHEZ HERRERO, MIGUEL	BENLI CONSULTING, S.L.
AYCE CONSULTING, S.L.	FAMILYSF SALUFER, S.L.	BARRENA TELLERIA, AITOR
PUENTE & B GESTION INTEGRAL, S.L.	VERDU CASTELL, JOSEP MANEL	GONZALEZ DE LA VEGA, JUSTO LUIS
TOMAS SECO ASESORES, S.L.	GONZALEZ GARCIA, JUSTO	LOPEZ DIAZ, DIEGO LUIS
YANES CARRILLO, MARIA JESUS	BENGOETXEA Y ASOCIADOS , S.L.P.	GRUPO GIDENS, S.L.
GARCIA MUÑOZ, MARIA OLGA	GARCIA RODRIGUEZ, ANA ISABEL	LOPEZ PARDO, SILVIA
VELASCO ROCA, IGNACIO	A&J SANMARTIN DE PRADAS CONSULTORES, S.L.	LORENZO FERNANDEZ, MARIA PATRICIA
GESTION Y FINANZAS ZARAGOZA, S.A.	BAY NAMRATA, S.L.	GONZALEZ HERNANDEZ, VICTOR EDUARDO
GENESTAR BOSCH, ANDRES	ANDISARU, S.L.	ARGOA
SANTAMANS ASESORES LEGALES Y TRIBUTARIOS, S.L.	MESA VIÑAS, ARGEO	MAZORRA VILLEGAS, JOSE JOAQUIN
SOLUCIONES FISCALES DE GALICIA, S.L.L.	SILBERT-4, S.L.	OLMOS MUÑOZ, FRANCISCO SALVADOR
ABONA GESTION SERVICIOS INTEGRADOS, S.L.	PAUDIM CONSULTORES, S.L.	PEREZ RODRIGUEZ, MANUEL
OBJETIVO MERCADO, S.L.	PIME ASSESSORAMENT I QUALITAT, S.L.	NUÑO BALLESTEROS, ALFONSO
ALONSO FERNANDEZ, LUIS MIGUEL	SANTOS MAYORDOMO, RUBEN	SUAREZ OTERO, JUSTO
ALBELLA ESTEVE, MARIA MERCEDES	AUDICONMUR, S.L.	GARCIA RODRIGUEZ, FRANCISCO JOSE
TENA LAGUNA, LORENZO	PARERA CONSULTING GROUP, S.L.	SEVA ALCARAZ, JOSE VALENTIN
MAC PRODUCTOS DE INVERSION Y FINANCIACION, S.L.	MARNAT INVERSIONES,S.L.	DELRIOASESORES S.L.
GARRIDO GOMEZ, ISABEL	EROSMARVAL 2013, S.L.	BV CORUÑA, S.L.
JOSE ANGEL ALVAREZ, S.L.U.	LEXEL ESTUDI LEGAL, S.L.	BLUEMONT INVESTMENTS, S.L.
GIL MANSERGAS, C.B.	TETIAROA GESTION Y CONSULTING 2011, S.L.	CAÑAS BLANCO, ANA
MUR CEREZA, ALVARO JESUS	LARA MARTINEZ, CARLOS	TOT GESTIO ROMIA LLOP, S.L.
GANDARA DUQUE, MARIA DE LOS MILAGROS	ALPHALYNX CAPITAL, S.L.	BADIA TERUEL, RAMON
REYMONDEZ , S.L.	NEWLAM INVEST, S.L.	CLOTET ASSESSORS, S.L.P.
MENDEZ BANDERAS, LUIS FELIPE	SAPRO INVESTMENT, S.L.	SAHUN JOVE, IMMACULADA
PEÑAS BRONCHALO, JOSE MIGUEL	GESTORA PAMASA S.L	LIDERA CONSULTORES, ASESORES Y GESTORES GABINETE EMPRESARIAL, S.L.P.
PADRON GARCIA, HERCILIO JOSE	AVENTIS ASESORES, S.L.	ARNAU I GARCIA ASSESSORAMENT INTEGRAL, S.L.
ASESORIA HERGON, S.L.	JAEN CLAVEL, LEONARDO	GESTIONA 'T ONLINE WEBSITE, S.L.
GESTION DE INVERSIONES Y PROMOCIONES ELKA CANARIAS, S.L.	LOPEZ PRO, DIEGO	FOGARPI SINERGIAS, S.L.P.
ARRAUT Y ASOCIADOS, S.L.	ENTORNOS RURALES Y URBANOS, S.L.	AIG ASSESSORIA, S.L.
LOPEZ SARALEGUI, ELENA MARIA TRINIDAD	SAN EMETERIO GAYO, JAVIER	THIO ASSESSORS, S.L.
AESTE, S.L.	SANCHEZ FERNANDEZ, ELENA MARIA	ASESORIA GERSHA, S.L.
REMENTERIA LECUE, AITOR	VALENCIA MUÑOZ, JOSE JAVIER	ASESORIA ACTUEL, S.L.
TRES U EMPRESA DE SERVICIOS PROFESIONALES, S.L.	CONSULTORIA FINANCIERA PONTEVEDRA, S.L.	STUDIUM CONSULTORES VALLADOLID, S.L.L.
GESTIONES ORT-BLANC, S.L.	XESTION CERCEDA, S.L.	CONTAL ASSESSORS, S.C.V.
CONSULTORIA SANTA FE, S.L.	SSD ASESORES 1963, S.L.	SOUTO ALONSO, FRANCISCO DANIEL

RENTABILIDAD VALOR Y UTILIDAD, S.L.	ROBIPAL 2016, S.L.	PEÑALVA CONSULTING, S.L.
GAGO COMES, PABLO	TAPIAS & BELLIDO CONSULTING, S.L.	GRACIA ASSESSORES, S.L.L.
DIEZ AMORETTI, FRANCISCO	JBAUTE, S.L.U.	MORENO LOPEZ, MANUEL
ASSESSORIA CAMATS GARDEL CORREDURIA DE SEGUROS, S.L.	MODOL RUIZ, CRISTINA	CBC ASSOCIATS 2012, S.L.
GABIÑO DIAZ, JUAN ANTONIO	MORSO PELAEZ, JOSE RAMON	SOBRINO BLANCO, CARLOS JAVIER
ARJANDAS DARYNANI, DILIP	KANOPA, S.L.	ASESORIA AZNAREZ, S.L.P.
SAIZ SEPULVEDA, FRANCISCO JAVIER	PANDAVENES CANAL, AZUCENA MARIA	PATAU GABINET ECONOMIC, S.L.P.
LLANA CONSULTORES, S.L.	IURIS ASSESSORS VIFE, S.L.P.	CONESA MOLINA, JOSE FRANCISCO
S.M. ASESORES ARAÑUELO, S.L.	FERNANDEZ DOMINGUEZ, PABLO	CONSULTORIA DRESEP, S.L.
MONTESINOS CONTRERAS, VICENTE	TOIMIL SOMESO, MARIA DOLORES	ADEYCO, S.A.
FONTAN ZUBIZARRETA, RAFAEL	ASSPE VILANOVA, S.L.	ANDALFIN, S.L.U.
NIEVA FERNANDEZ ASESORES, S.L.	LOPEZ GARCIA, ANTONIO	MACIAS CAPARRINI, JOSE LUIS
DE LA TORRE DEL CASTILLO, CANDELARIA	SALES HERMANOS, C.B.	BELTRAN GUTIERREZ, CARLOS
INVERSIONES Y GESTION AINARCU, S.L.	SAYAR & RIVAS ASOCIADOS, S.L.	GEFGIRONA, S.L.
LUNA ARIZA, RAFAEL IGNACIO	CARBONELL FUENTE, JONATAN	COCO PROJECTS
EMASFA, S.L.	MAYA MONTERO, ANGEL	INVERSIONES SUAREZ IBAÑEZ, S.L.
SIGNES ASESORES, S.L.	PROELIA, S.L.	CONTABILIDADES GASTEIZ, S.L.
MORENO DEL PINO, NICOLAS	VINTERGEST SERVICIOS INTEGRALES, S.L.	FERNANDEZ CABALLERO, DANIEL
INVERTIA SOLUCIONES, S.L.	GARCIA DEL HOYO, VIRGINIA	ANALIZA MANAGEMENT CONTROL, S.L.
TRAMITES FACILES SANTANDER ASESORES Y CONSULTORES, S.L.L.	DIAZ FLORES, JUAN FRANCISCO	ROTISNARF, S.L.
NAVARRO UNAMUNZAGA, FRANCISCO JAVIER	SERVICIOS FINANCIEROS CONTABLES 2000, S.L.	TRADE INVESTMENT BLANCO'S, S.L.
BENALWIND, S.L.	HERNANDEZ SANCHEZ, JOSE RAMON	EXPERT CONSULTORES, S.L.
NEGOCONT BILBAO 98, S.L.	EUGENIO CUBEROS, ANGEL ENRIQUE	ASESORIA ZULOR, S.L.
SERRANO RODRIGUEZ, RAFAEL	VILLEGAS SABIO, RAMON	SARMIENTO CONESA, MARIA ESTELA
MORENO CAMPOS, JOAQUIN	FRESNO CAPITAL, S.L.	ASSESSORIA NOGUERA-PUIG, S.L.
RENTEK 2005, S.L.	BADAMMAL SUNDERDAS, PRAKASH CHAINANI	ADICOR ASESORES INTEGRALES, S.L.
ARANZABAL SERVICIOS FINANCIEROS, S.L.	DE MARCOS MARDONES, IÑIGO	ABADIAS ANORO, ALFREDO
MARTINEZ BERMUDEZ, JOSE FRANCISCO	ALAMO MARTINEZ, GUILLERMO	LOPEZ Y ROA, S.L.
PISONERO PEREZ, JAVIER	RUBIALES REGORDAN, RAFAEL	SANCHO GONZALEZ, LUIS ALBERTO
ARANE PROMOCION Y GESTION, S.L.	ASESORIA INTEGRAL RONDA, S.L.	MOYA ORTEGA, PRUDENCIO
DORRONSORO URDAPILLETA, S.L.	IRDIN AUTOMOTIVE,S.L.	NOVA ASESORES DE NEGOCIO, S.L.
DE LA FUENTE TORRES, ANAIS BEATRIZ	MOREIRA GARCIA, JULIO CESAR	BALLESTEROS GESTORIA ASSESSORIA, S.L.
INGARBO, S.L.	RODRIGUEZ RODRIGUEZ, JUAN CARLOS	OLIVA-TRISTAN GOMEZ, BORJA
GONZALEZ BORINAGA, IVANA	OSTROWSKA , JOANNA	CONSULTORIA LOS HERRERAS, S.L.
DURFERAL, S.L.	EGURROLA IRAOLA, JESUS MIGUEL	PERDOMO PEREZ, ROCIO
CUBERO PATRIMONIOS, S.L.	BITACAPITAL INVERSIONES, S.L.	DUAMAR ASESORES, S.L.
SAFIN 2062, S.L.	JIMENEZ BETANZOS, DAVID	GONZALEZ GOMEZ, JAVIER ANTONIO
QUEIJA CONSULTORES, S.L.	SOLIVIS, S.L.	ALAMA SELMA, VICENTE IDELFONSO
ROJAS TRONCOSO, PEDRO	MI CONSULTORIA, S.L.	DOMINGO & ASSOCIATS SERVEIS PROFESIONALS, S.L.
LOPEZ FERNANDEZ, RAQUEL	AXENTES FINANCEIROS DE BALTAR, S.L.	MANZANARES RODRIGUEZ, JAVIER
CASTRO VEGA, XOSE	ALONSO CUESTA, LETICIA	BARRERA VAZQUEZ, JAVIER
FASER 89, S.L.	PUJOLS SERRA, RAMON	GALSAN ASESORES TRIBUTARIOS, S.L.
SERVICIOS FINANCIEROS GABIOLA, S.L.	GARCIA PUJADAS, MONTSERRAT	GRUP 5 ASESORES TRIBUTARIOS, S.L.
P V 1, S.L.	SERVICAT ASESORES, S.L.	SERVEIS ALDOMA MAS, S.L.

ASFIPA , S.L.	CAMPS ALBERCH, ENRIC	MASSA LARIO, JOAQUIN
ORTIZ ACUÑA, FRANCISCO	ESTUDIO FISCAL BARCELONA, S.L.	PUCHE I RECARENS, S.L.
SILJORINE, S.L.	GUMBAU RODA, JAIME JOSE	PRABER ASESORES, S.L.
ASESORES Y CONSULTORES, C.B.	CALAFAT ROIG, JUAN	RUIZ SORIA, ANTONIO
BALIBREA LUCAS, MIGUEL ANGEL	DE GUILLERMO DE SAN SEGUNDO, MARIA SONSOLES	SERDECO ASESORES, S.L.
URBANSUR GLOBAL, S.L.	TABACO MARTIN, JUAN ANTONIO	ASESORIA JURIDICO ADMINISTRATIVO GESGAR, S.L.
JAVIER CARRETERO Y ASOCIADOS, S.L.	ASESORIA HIDALGO JUAREZ, S.L.	JONDAL ASSESSORS, S.L.
ARIAS DELGADO, MARIA MERCEDES	VERUM MANAGEMENT, S.L.	DIAZ JUAN, JORGE
VICENTE JUAN ASESORES, S.L.	ALONSO JUAREZ, JAVIER	NESAL GESTORES, S.L.
AURVIR & PEÑA CONSULTORES, S.L.	GOMEZ MARTINEZ, ALBERTO	INIGO LOPEZ, LUIS ALBERTO
GESCOFI OFICINAS, S.L.	ORTIZ GARCIA, JUAN ANTONIO	LOBATO MENDEZ, JAIME
PALAU DE LA NOGAL, JORGE IVAN	RIOJAMACRAL, S.L.	GEMAP, S.L.P.
PERUCHET GRUP CONSULTOR D'ENGINYERIA, S.C.P.	MARTIN CARLOSENA, RAFAEL	CORPORATE GLOBAL ORDER, S.L.P.
BALLESTER VAZQUEZ, IGNACIO JAVIER	TUTUSAUS LASHERAS, MONTSERRAT	AISF PARTNERS, S.L.
VEJERIEGA CONSULTING, S.L.	FARRE BOSCH, CRISTINA	TARRAGA ENAMORADO ASESORES, S.L.
PAREDES VERA, GRACIA	ANGMAR 2015, S.L.U.	CAV PICASSENT ASESORIA, S.L.
PEREZ PEREZ, JOSE MANUEL	ARESTI MUGICA, REGINA MARIA	RIBAS DEL VALLE, JAIME
GOMEZ VELILLA, MARIA BRIGIDA	PARNAU BOSCH, JOAN	ASESORIA INTEGRAL NEW CHANCE, S.L.P.
MARCELINO DIAZ Y BARREIROS, S.L.	CIUDAD BRONCANO, JUAN FRANCISCO	GRUP ALEMANY MONTFORT, S.L.P.
CLUB AVOD, S.L.	MORENO DE MIGUEL, VICENTE	PEGUERO LANZOS, FERNANDO
GABINETE JURIDICO-FINANCIERO SERRANO, S.L.	MOLINA CONSULTING GROUP, S.L.P.	BPRADOS ASESORES FINANCIEROS, S.L.
J. RETA ASOCIADOS, S.L.	RED DE ASESORES ALCAMAN, S.L.	OKAPI SES SALINES, S.L.U.
JARVEST GESTION DE INVERSIONES, S.L.	EDUARDO ALBERDI ZUBIZARRETA Y OTRA, C.B.	ALBESA BATALLA, DAVID
CODEGUI, S.COOP.GALEGA	ASEDIEM PROFESIONALES, S.L.N.E.	RUIZ PEREZ, DANIEL
DELFOS ASESORIA FISCAL, S.L.	ALZO SOLAR, S.L.	BUSINESS ACTION, S.L.
GRUP SBD ASSESSORAMENT I GESTIO, S.L.	GESTIONES PATRIMONIALES CANARIAS, S.L.	BUSTOS QUIROGA, MARIA FELISA
VINYES SABATA, MERCÉ	OBELLEIRO RODRIGUEZ, JOSE MANUEL	TRADESCO, S.A.
CENTRE FINANCER BERENGUER SAPENA XABIA, S.L.	DEL AGUILA FERRER Y ASOCIADOS, S.L.	CHAPA DEVESA, ROBERTO BENITO
GARAY GURBINDO, FELICIDAD MARIA ANGELES	CEBALLOS URCELAY, CRISTINA	BARRIADA GARCIA, PEDRO JOAQUIN
ASESORIA MERCANTIL DE ZALLA, S.L.	LOPEZ LOPEZ, DORLETA	CARNIAGO GRACIA, ROBERTO
SOCOGADEM, S.L.	HELLIN PYMES GESTION, S.L.	BARRADO JIMENEZ, JOAQUIN
CASADO RODRIGUEZ, MARIA MARBELLA	CEINCO PORRERES, S.L.	PEREZ-MARSA MILLET & CALATAYUD ABOGADOS, S.L.P.
CROWE LEGAL Y TRIBUTARIO, S.L.P.	GONZALEZ HERNANDEZ, ALBERTO	GONZALEZ CALVO, ENRIQUE
SARRI SOLE, FRANCESC XAVIER	ALKARLAN GESTION, S.L.	GARCIA PANDO, ISIDORO
GOMEZ FERNANDEZ, JOSE IGNACIO	FERNANDEZ PUERTAS, VICTOR MANUEL	GIBERT GATELL, JOSEP
ASFITO, S.L.	DE PRADO MANEIRO, JOSE IGNACIO	ORGAZ REDAJO, JOSE EMILIO
SIMON BENITO, JOSE JUAN	JUSTITIA CONSULTORES, S.L.P.	NEBREDA MUÑOZ, MARIA TERESA
MARTIN MAYOR, ANTONIO	RUIZ MOLINA ASESORES, S.L.	RBS GLOBAL CONSULTING, S.L.
CORSAN FINANCE, S.L.	COLLADO SOLER, ANA JOAQUINA	MARTIN & ASOCIADOS NEW BUSINESS, S.L.
LEASING E INVERSION EMPRESARIAL, S.L.	QUILEZ SANCHEZ, ANDRES	BELATELES INVERSIONES, S.L.
CEJUDO RODRIGUEZ, JUAN CARLOS	ASEC, C.B.	LINARES LOPEZ, MANUEL
RETAMERO VEGA, MANUEL	DE LAS HERAS CASAS, FRANCISCO RAUL	MASCARO VECINO, INMACULADA
SAENZ DE TEJADA ASESORES, S.L.	GUERRA CARDONA CONSULTORES, S.L.	INVERPA MEDITERRANEO, S.L.
SANTOS HERRERA, MERCEDES	HERNANDEZ ALEJANDRO, JUDITH	GABINETE JURIDICO LABORAL ALBACETE, S.L.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

ASESORES DE EMPRESA Y GESTION ADMINISTRATIVA MARIN & MARIN, S.L.	GONZALEZ ANTA RODRIGUEZ ORTA, PEDRO	FREEDOM INVESTMENTS, S.L.
CAMPOS DE PALACIOS ASESORES CORREDURIA DE SEGUROS, S.L.	AGRICOLA DE ALBATARREC, S. COOP. CAT. LTDA.	OLLER CARRILLO, SIMON
TURBON ASESORES LEGALES Y TRIBUTARIOS, S.L.	ALONSO RUISANCHEZ, ENRIQUE	FINQUES GERMANS NABAU, S.L.
VIGUE PUJOL, S.L.	BK ASESORIA JURIDICA, S.L.	LAZARO CONSULTORS I ASSESSORS, S.L.
IBERFIS GESTION FINANCIERA, S.L.	RAMOS CONSULTORES, S.L.	INGLES LACASA, RAFAEL
MIQUEL VALLS ECONOMISTES & ASSOCIATS, S.L.P.	CAU ASESORES Y CONSULTORES, S.L.	CS GRUPO CONSULTOR ALTA 2000, S.L.
LTA ASESORES LEGALES Y TRIBUTARIOS, S.L.	CAPITEL ASESORES ALMANSA, S.L.	AVANZA ABOGADOS Y ASESORES, S.L.
ASESORIA INFIS, S.L.	ESQUERDO BADALONA, VICENTE	LEGIBUS SALVIS, S.L.
VERGEL CRESPO, MARIA ISABEL	LAMONEDA PRIETO, DIEGO	SANDIN SISTO, GUSTAVO DANIEL
FELEZ BIELSA, S.L.	SASUKE XXI, S.L.	MARTIN MOLINERO, CARLOS JESUS
VICENTE GONZALEZ, ANGEL	CALVA CORTES, DANTE HUMBERTO	ASESORIA CONSULTORIA TERRASA MELLADO, S.L.
SISTHEMA GESTION EMPRESARIAL, S.L.	RIVERA FERNANDEZ, MARIA DEL CAMINO	ROA DELGADO, JUAN JOSE
GRAÑON LOPEZ, LUIS ALBERTO	SOLER SOLER MENESES ABOGADOS & ASOCIADOS, S.L.P.	UBEDA HERRERO ASESORES LEGALES Y TRIBUTARIOS, S.L.P.
FORNIES & GUELBENZU, S.L.	MARROYO MONGE, MANUEL	VARELA SANCHEZ, MARIA ALMUDENA
MALMAGRO BLANCO, ANTONIO	DIAZ PEREZ, CARLOS	MAP ESFISA, S.L.
CARCELLER SUAREZ, RAMON	BELDA ALMIRA, BORJA	INIESTA SORIA, FERNANDO
ARTI INVERSIONES Y PATRIMONIOS, S.L.	BALDOMINOS BALDOMINOS, ALFIO	RIERA PONS, FRANCISCO
SERVICIOS FINANCIEROS AZMU, S.L.	LACMAC 2012 INVESTMENTS, S.L.	ACEBES MAYA, DAVID
CARCOLE ARDEVOL, JOSE	V.S. SERVICIOS EMPRESARIALES, S.L.	RODRIGUEZ FERNANDEZ, ENRIQUE
BATISTE ANGLES, AMADEO	ASEPYME GLOBAL, S.L.	GARCIA LATORRE, ANTONIO DAVID
PREVISION PERSONAL CORREDURIA DE SEGUROS, S.A.	FERTAPDO, S.L.	RODRIGUEZ MASA, JUAN LUIS
BAZAR NAVAS, S.L.	VEGA RODRIGUEZ, REGINA DOMINICA	GABINETE DE TECNICAS EMPRESARIALES GABITEC, S.L.
POU ADVOCATS, S.L.P.	GARCIA RUIVIEJO, SERGIO	TORRALBO HINOJOSA, SERGIO JESUS
GOMEZ VALVERDE, ANTONIO	OUTSIDE ADVISORS DENIA, S.L.	ROBRES CLAUSELL, MIQUEL
ORTIZ MARTIN, FRANCISCO EULOGIO	ADIRCA CONSULTING, S.L.U.	CLAVERA GISPERT, ELISENDA
NAVARRO SAENZ, MARIA MAR	DONOSO BUENO, CARLOS	ACTIO LEX CONSULTORES LEGALES, S.L.P.
MARESME CONSULTORS, S.L.	MARTINEZ MENDOZA, DIEGO	PALOMARES VILLAR Y ASOCIADOS, S.L.P.
TOLOCONSULTING, S.L.	GONZALEZ GARRE, PATRICIO JULIAN	OFITEC ASESORES, S.L.
IGNACIO CONSTANTINO, S.L.	CARBO PRACHNER, GUILLERMO	GUERRA PADILLA, JAVIER
AVELLANEDA GARCIA, ANGEL FERNANDO	MUÑOZ RAMOS, PEDRO	ALBERDI ALBEA, JOSÉ RAMÓN
TELLECHEA ABASCAL, PEDRO MANUEL	SANCHEZ MUÑOZ, RAQUEL	GESTORIA OFISEM, S.L.
MITECA PROMOCIONES E INVERSIONES, S.L.	LIFESTYLE FINDER, S.L.	LINSERTEC ASESORES, S.L
LOPEZ DELGADO, MARIA DEL PILAR	SANCHEZ SANCHEZ, JOSE ANTONIO	TRUC PEBE SALLENT, S.L.
LIARTE BENEDI, MARIA INMACULADA	SUAREZ NAVAS, ANDREA	HEALTH & CARE INVESTMENT, S.L.
FRANCES MICO, CARMELO	PAPOI AND PARTNERS, S.L.	MONTAÑO PEREZ, DANIEL
SINDIN RODRIGUEZ, NOELIA	PASTOR BEVIA, ALFONSO 2140868H, S.L.N.E.	PASCUAL HERRERO, MIGUEL
BASTANTE PATON, RAMON FELIX	CASAS CASTELLA, LLUIS	EXPERTOS CONTABLES Y TRIBUTARIOS, S.L.
TECNIFISCAL, S.L.	GILI MARQUEZ, JORGE LUIS	FORCEN LOPEZ, MARIA ESTHER
RODRIGUEZ ALVAREZ, MARIA ISABEL	CALVET REVERTE, MARIA PILAR	SERVICIOS DE CONSULTING MARQUES, S.L.
CENTRE CORPORATIU INI 6, S.L.	MORENO LATORRE, DANIEL	GESTORIA CORONA, S.L.P.
NIETO GONZALEZ, RUFINO	ARCONES GARCIA, ROCIO	SALINAS MARTINEZ, FRANCISCA
INVERSIONES GEFONT, S.L.	GONZALEZ LANZA, ALEXIA MARIA	ARROYO PEREZ, JOABANA
SOTO PASTOR, RAFAEL	BOULLOSA MOURE, BENITO	DEL AMO GUIRAO, ISABEL

HERMO MARTINEZ, MARTA	BANKING Y CONSULTING FINANCIERO-JURIDICO, S.C.	CONCORDES TAX & LEGAL, S.L.
BELCASTI, S.L	GESBARBON GRUPO, S.L.	RODRIGUEZ NIEVES, BERNARDINO
ALL ABOUT FUNDS, S.L.	MARRERO MAYORGA, MARIA ROSA	GARCIA BENITEZ, ALBERTO JESUS
ESTUDIO FINANCIERO AVANZADO, S.L.	MARTIN MURILLO, IGNACIO JOSE	ABAC GESTION INTEGRAL DE EMPRESAS, S.L.
LAGUNA SEBASTIANES, FRANCISCO MANUEL	SANCHEZ PULIDO, AGUSTIN JAVIER	ESPERT ZANON, GONZALO
LENADER, S.L.	BAIKAL ESTRATEGIAS, S.L.	ECONOMIS LOW COST GESTION, S.L.
RENTA JUBILADOS, S.L.	GARCIA PEREZ DE ARRILUCEA, RAMON	GIL TORRENS, JUAN
CUELLAR MERCANTIL ASESORIA, S.L.	GISTAU LATRE, LAURA	FERNANDEZ MOYANO, ONOFRE
MORENO SILVERIA, MARIA ISABEL	ASTORGA SANCHEZ, JUAN ANTONIO	CANALES FUENTE, JAVIER
POISY, S.L.	CALLES VAQUERO, IVAN	MARTOS LOPEZ, JESUS
PAZOS SANCHEZ, JAVIER	MARTI AVILES, MARIA JOSE	ALVEAR PARDO, ENRIQUE
FEO CLEMENTE, ALEJANDRO	ESCRIG CASTAÑO, PILAR	RODRIGUEZ PARIS, FELIX JOSE
CRESPO MINCHOLED, YOLANDA	LARREA ORCOYEN, ASIER	MIRO SALA, MARIA ANGELES
VIVIAL ASESORAMIENTO Y ALQUILERES, S.L.	BENITO BARONA, ANDER	GIL TEJADA, MARCOS BERNARDO
APUNTES CONTABLES, S.L.	LOMBIDE HERNANDEZ, NAGORE	CASELLAS GASSO, SALVADOR
DOMINGO BALTA, MARIANO	GUTIERREZ FERNANDEZ, MARIA	CONSEJEROS Y PROYECTOS DE GESTION, S.L.
IB2CLOUD, S.L.	MAÑONEA AGENTZIA, S.L.	MARTINEZ FERNANDEZ, HECTOR
INMOGEST2012, S.L.	EUGERCIO HERRA, FRANCISCO JAVIER	LARA SAGASETA DE ILURDOZ, FRANCISCO JAVIER
HIDALGO PEREZ, JOSE ANTONIO	DBSER INVEPAT, S.L.	DEBCO ESTRUCTURA PROFESIONAL, S.L.P.
PUIG SEMPERE, FILOMENA	RODRIGUEZ CEDILLO, LORENA	MEDINA FINANZAS S.L.
ALONSO ZAPICO, JUAN DE DIOS	REINA PUEYO, MANUEL	EASY MODE, S.C
PANIAGUA VALDES, MILAGROS	FRANCIAMAR GORLIZ, S.L.	JAMANROCRIS, S.L.
DONAIRE MOLANO, LUIS	FRANCIAMAR AREATZA, S.L.	GESTIO ABP, S.L.
LABORDA CARNICER, FELIPE	ROBLES ALONSO, SARA	ALLIED CAPITAL, S.L.
ASESORIA ATAMAN, S.L.	ARIAS HERREROS, JOSE IGNACIO	BENITEZ HERNANDEZ, JUAN JOSE
PAZ BARKBY, ALISON SUSAN	BELRIVER PARTNERS, S.L.	VALDELASIERRA ASESORES SL
LEFISUR ASESORES, S.L.	CAYUELA , LINA	MORA SEGUÉS, JUAN
LOPEZ GRANADOS, JOSE MARIA	ACOFI ASESORES Y CONSULTORES, S.L.	MSJN FINANCIAL ADVISORS SLU
AVANTIS ASESORES JURIDICOS, S.L.	LIÑANA VICO, VICENTE	DELGADO ESPINOLA, ANTONIO
PEREZ ANDREU, ALEJANDRO	ASEGEM ASESORAMIENTO Y GESTION DE EMPRESAS, S.L.	LOPEZ IRIARTE, JOSE MANUEL
PEREZ CORDOBA, VICTOR MIGUEL	PRADO RECOLETOS ASESORES, S.L.	MISTO , MARCO
SEGURALIA 2050, S.L.	BOSCH ASSESSORIA TECNICA LABORAL, S.L.U.	CORCUERA ABOGADOS Y ASESORES DE PATRIMONIO S.L.
IZQUIERDO - PARDO, S.L.P.	MARTINEZ BERMUDEZ, LEOPOLDO	TORRELLAS GRAMAJE, NOELIA
CABRERA MARTIN, MIGUEL ANGEL	MATA SANTIN, ENRIQUE	DE ZAYAS CAMPOS, MARIA TERESA
DIAZ Y FERRAZ ASOCIADOS, S.L.	MARTIN GARCIA, ELIAS	ARDAO ESPUCH, CRISTINA
NOVOSELOVA , ELENA	BARRAL CASADO, RICARDO	PROALIA CONSULTING EMPRESARIAL, S.L.
GESTIO I ASSESSORAMENT OROPESA, S.L.	BELLO NAVARRO, MIQUEL	GRUP 8 ASSESSORS ASSOCIATS SCP
ESCRIVA DE ROMANI, S.L.	FINANTZA ETA ETXEBIZITZAK, S.L.	FERNANDEZ AYALA, CARLOS
REY FERRIN, PAULA	ROSALES ROMERO, ANA CARMEN	TERRADILLOS PEREZ, LEIRE
KANKEL INVERSIONES, S.L.	PDCE CONSULTING DE EMPRESAS, S.L.P.	VAZQUEZ ALVAREZ, GRACIELA NOEMI
ROMERO SIERRA, BENJAMIN	GLOBE FINANCIAL SERVICES & CONSULTANCIES, S.L.U.	FICOGEST SL
POLO ACCIONES, S.L.	LAFUENTE SERVICIOS EXTERNOS, S.L.	CENTRE ASSESSOR GILABERT TÀRREGA SL
GESTION ESTUDIO Y AUDITORIA DE EMPRESAS GEA, S.L.	GRUPO SUBVENCION DIRECTA ASESORES INTEGRALES, S.L.	JURADO ROMEO, CESAR
GARVIN Y FISAC CONSULTORES, S.L.	MARIAKA AMERIGO, GUSTAVO	TARVES ASESORIA DE EMPRESAS S.L

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

GESTION INTEGRAL DE EMPRESAS FUSTER, S.L.	IBAÑEZ LERA, ALEJANDRO	VAZQUEZ CARRASCO, NURIA
ROLO GESTION E INVERSION, S.L.	MARIN PEREZ, ANA MERCEDES	PEINADO ANGUITA, PABLO
ASESORIA RANGEL 2002, S.L.	PACHA PRIOR, BEATRIZ	MUÑOZ EZQUERRO, JOSE MANUEL
BADALONA ASESORES, S.C.C.L.	SOCIEDAD CONSULTORA DE ACTUARIOS ASESORES, S.L.	PLEGUEZUELO WITTE, ANTONIO JOSE
ILURCE ASESORES Y CONSULTORES, S.L.	ESPUIG IBORRA, ELOISA	GALLEGO Y ASOCIADOS CONSULTORIA EMPRESARIAL SL PROFESIONAL
COOPERATIVA OLIVARERA SAN ISIDRO, S.C.A.	GONZALEZ GONZALEZ, JOSE MANUEL	FINANCES Y DINERO SL
ASESORIA GESTION PATRIMONIAL DE ENTIDADES RELIGIOSAS, S.L.	TRYCICLO ADVISORS, S.L.	MELLADO ALFAGEME, ANA MARIA
ORTUÑO FERNANDEZ, JOSE LUIS	ASEFINSO, S.C.	CARRANZA RABAT, DAVID
GONZALEZ JIMENEZ, FRANCISCO	CRESPO MARTINEZ, JUAN ENRIQUE	GONZALEZ JIMENEZ, MANUEL JESUS
PEREZ ABAD, JAUME	ALONSO SANTAMARTA, LUIS MIGUEL	EMPRENDE SERVICIOS FINANCIEROS S.L.
CARULLA FELICES, JORDI	RODRIGUEZ DONOSO, JOSE MARIO	GOMARLIZ LEÑA, GINES
GAMEZ MARTINEZ, ANTONIO MANUEL	APPROACH TO FINANCIAL SERVICES, S.L.	REINA BETTIGHOFER, JOSE CARLOS
BUSBAC SERVEIS, S.L.	ARUM ASESORES, S.L.	SERRANO MORAL, ANTONIO
CENTRE GESTOR, S.L.	VALLS FLORES, JESUS RAFAEL	ASESORES SOLEINAR, S.L.
ROCA VILA I JURADO ASSOCIATS, S.L.P.	FERNANDES MONTEIRO, RODOLFO	HERMANOS SANCHEZ JIMENEZ ASESORES C.B.
VILAR RIBA, S.A.	Q-INVEST FAMILY OFFICE, S.L.	SOTERAS MORERA, DAVID
CREIXANS PONS, JOSE MARIA	CANIEGO MONREAL, CARLOS	ALDAVERO ROMERO INVERSIONES S.L.
DOMENECH GIMENO GESTIO, S.L.	SERRANO GRAN, LUIS	PICATOSTE RODRIGUEZ, MIGUEL
FISLAC ASESORES, S.L.	JM 2004 EMPRESISTES, S.L.	SENSUS CONSULTORÍA JURÍDICA I EMPRESARIAL SL
JOSFRAN ASSESSORS, S.L.	ROIG MARTORELL, NURIA	STRAFY 4 ASSET MANAGEMENT SL
IXPE ASSESSORS 94, S.L.	SERVEIS FINANCERS PUIGVERD, S.L.U.	ROMERO FORMOSO, FATIMA
BONMATI COMPTABLE, S.L.	GASSO SOLE CONSULTORS, S.L.	XESCONTA ASESORÍA DE EMPRESAS SL
ORDENACIONES CONTABLES, S.L.	JEDA GROUP SABA, S.L.	PALLEJA MONNE, JOSEP
HIDALGO GESTIO, S.L.	SOTO DE PRADO, ISABEL	MOYÁ & EMERY ASESORIA Y CONSULTING SL
APEKONO 1964, S.L.	RODRIGUEZ GALVAN, SARA ISABEL	JUAN LORENZO SL
JEST ASESORES DE EMPRESA Y PARTICULARES, SL	ENDOR INVERSIONES, S.L.	FERRADAS PEREZ, TOMAS JOAQUIN
ASSESMERCAT, S.L.P.	ARENYS CONSULTING 2013, S.L.	FISCATEL CONSULTORES Y ASESORES,SCP
		MALGOSA MORERA, JOAQUIN

Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus, the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Available-for-sale financial assets	Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL.
Baseline macroeconomic scenarios	IFRS 9 requires that an entity must evaluate a range of possible outcomes when estimating provisions and measuring expected credit losses, through macroeconomic scenarios. The baseline macroeconomic scenario presents the situation of the particular economic cycle.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Business Model	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). Financial assets are classified on the basis of its business model for managing the financial assets. The Group's business models shall be determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and generate cash flows.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: · Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected. · Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. · Fees and commissions generated by a single act are accrued upon execution of that act.

Consolidation method	Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable. Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations: a) income and expenses in respect of intragroup transactions are eliminated in full. b) profits and losses resulting from intragroup transactions are similarly eliminated. The carrying amount of the parent's investment and the parent's share of equity in each subsidiary are eliminated.
Contingencies	Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.
Contingent commitments	Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.
Control	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following: a) Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. b) Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative. c) Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.
Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.
Credit Valuation Adjustment (CVA)	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Current service cost	Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
Current tax assets	Taxes recoverable over the next twelve months.
Current tax liabilities	Corporate income tax payable on taxable profit for the year and other taxes payable in the next twelve months.
Debit Valuation Adjustment (DVA)	An adjustment made by an entity to the valuation of OTC derivative liabilities to reflect within fair value the entity's own credit risk.
Debt certificates	Obligations and other interest-bearing securities that create or evidence a debt on the part of their issuer, including debt securities issued for trading among an open group of investors, that accrue interest, implied or explicit, whose rate, fixed or benchmarked to other rates, is established contractually, and take the form of securities or book-entries, irrespective of the issuer.
Default	An asset will be considered as defaulted whenever it is more than 90 days past due.
Deferred tax assets	Taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application.

Deferred tax liabilities	Income taxes payable in subsequent years.
Defined benefit plans	Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits.
Defined contribution plans	Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.
Deposits from central banks	Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.
Deposits from credit institutions	Deposits of all classes, including loans and money market operations received, from credit entities.
Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, which are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Derivatives	The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.
Derivatives - Hedging derivatives	Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.
Diluted earnings per share	Calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the profit attributable to the parent company corresponding to ordinary shareholders of the entity, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).
Dividends and retributions	Dividend income collected announced during the year, corresponding to profits generated by investees after the acquisition of the stake.
Domestic activity	Domestic balances are those of BBVA´s Group entities domiciled in Spain, which reflect BBVA´s domestic activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic capital	Methods or practices that allow banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities.
Effective interest rate (EIR)	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.

Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity, that is after deducting all of its liabilities.
Equity instruments issued other than capital	Includes equity instruments that are financial instruments other than "Capital" and "Equity component of compound financial instruments".
Equity Method	Is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.
Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.
Expected Credit Loss (ECL)	Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Hence, credit losses are the present value of expected cash shortfalls. The measurement and estimate of these expected credit losses should reflect: 1. An unbiased and probability-weighted amount. 2. The time value of money by discounting this amount to the reporting date using a rate that approximates the EIR of the asset, and 3. Reasonable and supportable information that is available without undue cost or effort. The expected credit losses must be measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or an approximation thereof (forward looking).
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not be recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial Assets at Amortized Cost	Financial assets that do not meet the definition of financial assets designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Financial Assets at fair value through other comprehensive income	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the subsidiaries act as lessors.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.

Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Foreign activity	International balances are those of BBVA´s Group entities domiciled outside of Spain, which reflect our foreign activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").
Held-to-maturity investments	Held-to-maturity investments are financial assets traded on an active market, with fixed maturity and fixed or determinable payments and cash flows that an entity has the positive intention and financial ability to hold to maturity. The Held-to-maturity category belongs to IAS 39 standard, replaced by IFRS 9.
Impaired financial assets	An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. *Evidence that a financial asset is credit-impaired includes observable data about the following events:* *a) significant financial difficulty of the issuer or the borrower,* *b) a breach of contract (e.g. a default or past due event),* *c) a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider,* *d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization,* *e) the disappearance of an active market for that financial asset because of financial difficulties, or* f) *the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.*
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.
Insurance contracts linked to pensions	The fair value of insurance contracts written to cover pension commitments.
Inventories	Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.
Investment properties	Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.
Joint arrangement	An arrangement of which two or more parties have joint control.
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets of the arrangement and obligations for the liabilities. A joint venturer shall recognize the following for its participation in a joint operation: a) its assets, including any share of the assets of joint ownership; b) its liabilities, including any share of the liabilities incurred jointly; c) income from the sale of its share of production from the joint venture; d) its share of the proceeds from the sale of production from the joint venturer; and e) its expenses, including any share of the joint expenses. A joint venturer shall account for the assets, liabilities, income and expenses related to its participation in a joint operation in accordance with IFRS applicable to the assets, liabilities, income and expenses specific question.
Joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.
Leases	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement. a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. b) A lease will be classified as operating lease when it is not a financial lease.
Lease liability	Lease that represents the lessee's obligation to make lease payments during the lease term.
Liabilities included in disposal groups classified as held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loans and receivables	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity (amounts of cash available and pending maturity by customers as a loan or deposits lent to other entities, and unlisted debt certificates), as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the subsidiaries act as lessors. The Loans and receivables category belongs to IAS 39 standard, replaced by "Financial Assets at Amortized Cost" under IFRS 9.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.
Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.

Non performing financial guarantees given	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for financial guarantees given. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non Performing Loans (NPL)	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for exposures on balance loans to customers. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the earnings for the period.
Non-current assets and disposal groups held for sale	A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements: a) it is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset. b) the sale is considered highly probable.
Non-monetary assets	Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.
Non-trading financial assets mandatorily at fair value through Profit or loss	The financial assets registered under this heading are assigned to a business model whose objective is achieved by obtaining contractual cash flows and / or selling financial assets but which the contractual cash flows have not complied with the SPPI (por sus siglas en inglés, criterio de sólo pago de principal e intereses) test conditions.
Option risk	Risks arising from options, including embedded options.
Other financial assets/liabilities at fair value through profit or loss	Instruments designated by the entity from the inception at fair value with changes in profit or loss. An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because: a) It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes called "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. It might be acceptable to designate only some of a number of similar financial assets or financial liabilities if doing so a significant reduction (and possibly a greater reduction than other allowable designations) in the inconsistency is achieved. b) The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity´s key management personnel. These are financial assets managed jointly with “Liabilities under insurance and reinsurance contracts” measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk. These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.

Other Reserves	This heading is broken down as follows: i) Reserves or accumulated losses of investments in subsidiaries, joint ventures and associate: include the accumulated amount of income and expenses generated by the aforementioned investments through profit or loss in past years. ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.
Other retributions to employees long term	Includes the amount of compensation plans to employees long term.
Own/treasury shares	The amount of own equity instruments held by the entity.
Past service cost	It is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.
Post-employment benefits	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.
Probability of default (PD)	It is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.
Property, plant and equipment/tangible assets	Buildings, land, fixtures, vehicles, computer equipment and other facilities owned by the entity or acquired under finance leases.
Provisions	Provisions include amounts recognized to cover the Group's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date.
Provisions for contingent liabilities and commitments	Provisions recorded to cover exposures arising as a result of transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts, and provisions for contingent commitments, i.e., irrevocable commitments which may arise upon recognition of financial assets.
Provisions for pensions and similar obligation	Constitutes all provisions recognized to cover retirement benefits, including commitments assumed vis-à-vis beneficiaries of early retirement and analogous schemes.
Provisions or (-) reversal of provisions	Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.
Refinanced Operation	An operation which is totally or partially brought up to date with its payments as a result of a refinancing operation made by the entity itself or by another company in its group.
Refinancing Operation	An operation which, irrespective of the holder or guarantees involved, is granted or used for financial or legal reasons related to current or foreseeable financial difficulties that the holder(s) may have in settling one or more operations granted by the entity itself or by other companies in its group to the holder(s) or to another company or companies of its group, or through which such operations are totally or partially brought up to date with their payments, in order to enable the holders of the settled or refinanced operations to pay off their loans (principal and interest) because they are unable, or are expected to be unable, to meet the conditions in a timely and appropriate manner.
Renegotiated Operation	An operation whose financial conditions are modified when the borrower is not experiencing financial difficulties, and is not expected to experience them in the future, i.e. the conditions are modified for reasons other than restructuring.

Repricing risk	Risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions.
Restructured Operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the loan (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the loan, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile.
Retained earnings	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution.
Right of use asset	Asset that represents the lessee's right to use an underlying asset during the lease term.
Securitization fund	A fund that is configured as a separate equity and administered by a management company. An entity that would like funding sells certain assets to the securitization fund, which, in turn, issues securities backed by said assets.
Share premium	The amount paid in by owners for issued equity at a premium to the shares' nominal value.
Shareholders' funds	Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.
Significant increase in credit risk	In order to determine whether there has been a significant increase in credit risk for lifetime expected losses recognition, the Group has develop a two-prong approach: *a)* *Quantitative criterion*: based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. b) *Qualitative criterion:* most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.

Significant influence	Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. The existence of significant influence by an entity is usually evidenced in one or more of the following ways: a) representation on the board of directors or equivalent governing body of the investee; b) participation in policy-making processes, including participation in decisions about dividends or other distributions; c) material transactions between the entity and its investee; d) interchange of managerial personnel; or e) provision of essential technical information.
Solely Payments of Principle and Interest (SPPI)	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). To determine whether a financial asset shall be classified as measured at amortized cost or FVOCI, a Group assesses (apart from the business model) whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding (SPPI).
Stages	IFRS 9 classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized - *without significant increase in credit risk* (Stage 1); the second comprises the operations for which a significant increase in credit risk has been identified since its initial recognition - *significant increase in credit risk* (Stage 2) and the third one, the impaired operations *Impaired* (Stage 3). The transfer logic is defined in a symmetrical way, whenever the condition that triggered a transfer to Stage 2 is no longer met, the exposure will be transferred to Stage 1. In the case of forbearances transferred to stage 2, as long as the loan is flagged as forbearance it will keep its status as Stage 2. However, when the loan is not flagged as forbearance it will be transferred back to Stage 1.
statements of cash flows	The indirect method has been used for the preparation of the statement of cash flows. This method starts from the entity's profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used: · Cash flows: Inflows and outflows of cash and equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.

statements of changes in equity	The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any. The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.
statements of recognized income and expenses	The statement of recognized income and expenses reflect the income and expenses generated in each fiscal year, distinguishing between those recognized in the profit and loss accounts and the "Other recognized income and expenses"; which are recorded directly in the equity. The "Other recognized income and expenses" includes the variations that have occurred in the period in "accumulated other comprehensive income", detailed by concepts. The sum of the variations recorded in the "accumulated other comprehensive income " caption of the equity and the profit for the year represents the "Total income and expenses".
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: a) restricted activities. b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors y passing on risks and rewards associated with the assets of the structured entity to investors. c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support. d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.
Subsidiaries	Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is: a) an agreement that gives the parent the right to control the votes of other shareholders; b) power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.
Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in companies, non-controlling interests, deductions and others and attributed net income.
Tier 2 Capital	Mainly includes: Subordinated, preferred shares and non- controlling interest.
Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.
Write- off	When the recovery of any recognized amount is considered to be remote, this amount is removed from the balance sheet, without prejudice to any actions taken by the entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.
Value at Risk (VaR)	Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level VaR figures are estimated following two methodologies: a) VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. a) VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one. b) VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

Creating Opportunities

Management Report

BBVA 2019

Contents

About BBVA

Banco Bilbao Vizcaya Argentaria, S.A. (the “Bank” or “BBVA”) is a private-law entity governed by the rules and regulations applicable to banks operating in Spain.

BBVA S.A is a **bank** founded in 1857 that the parent company of the BBVA Group, a global financial services group with a vision focused on the customer client a customer-centric global financial services group with a significant presence in the traditional banking business of retail banking, asset management and wholesale banking.

Its **purpose** is to bring the age of opportunity to everyone. This purpose is based on customers' real needs: providing the best solutions and helping them make the best financial decisions by offering an easy and convenient experience. The entity is based on strong values: customer comes first, we think big and we are one team.

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

The Bank has a solid position in Spain and, for its development activity, has representative offices in more than 15 countries.

This Management Report includes information on the Bank's performance in 2019: defining the strategy and the activity most closely related to it and the stakeholders, in the sections of the Non-Financial Information Statement, Financial Performance and Risk Management chapter.

Non-financial information report

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

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

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

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

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

Organizational chart

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

The main aspects of the organizational structure are as follows:

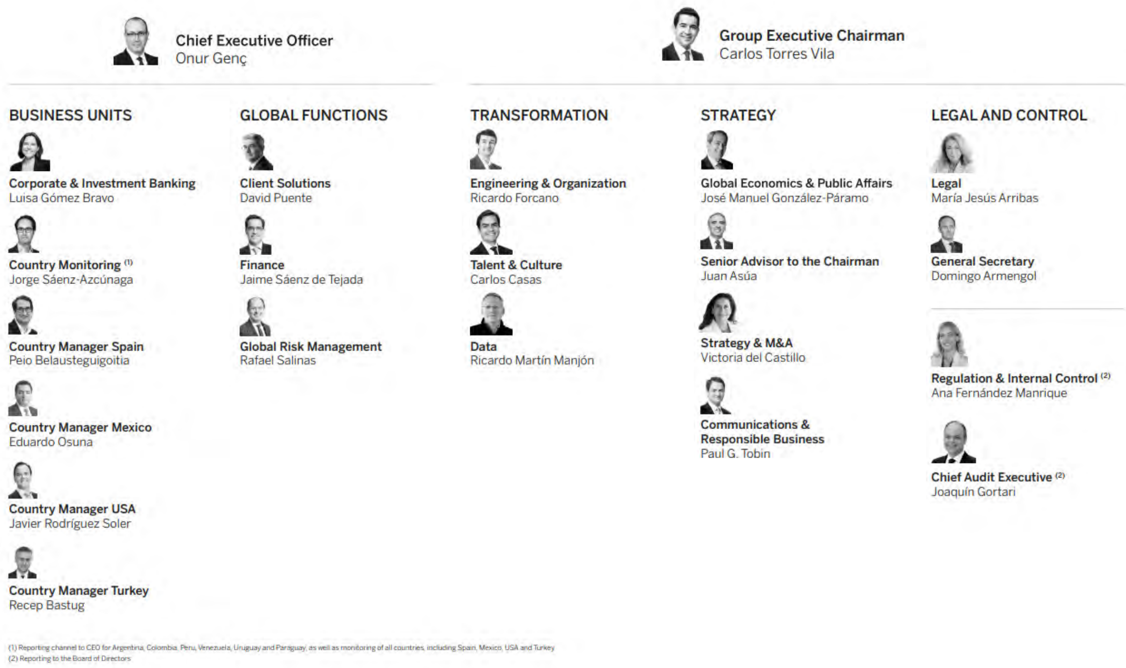
- The **Group Executive Chairman** is responsible for the management and well-functioning of the Board of Directors, the supervision of the management of the Group, the institutional representation, and leading and boosting the Group's strategy and its transformation process.

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

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

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

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



Environment

Macroeconomic and sectorial environment

Global growth decelerated in 2019 to growth rates slightly below 3% in annual terms in the second half of the year, below the 3.6% of 2018. Increased trade protectionism and geopolitical risks had a negative impact on economic activity, mainly on exports and investment, additionally to the structural slowdown in the Chinese economy and the cyclical moderation of the US and Eurozone economies. However, the counter-cyclical policies announced in 2019, led by central banks, along with the recent reduction in trade tensions between the United States and China and the disappearance of the risk of a disorderly Brexit in the short term, are leading to some stabilization of global growth, based on the relatively strong performance of private consumption supported by the relative strength of labor markets and low inflation. Thus, global growth forecasts stand around 3.2% for both 2019 and 2020.

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

	GDP	Inflation
World	3.2	3.7
Eurozone	1.2	1.2
Spain	1.9	0.7
The United States	2.3	1.8
Mexico	0.0	3.6
South America [(1)]	0.9	10.8
Turkey	0.8	15.5
China	6.1	2.9

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

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

In terms of **monetary policy**, the major central banks took more loosening measures last year. In the eurozone, the European Central Bank (ECB) announced in September a package of monetary measures to support the economy and the financial system, including: (i) a deposit facility interest rate reduction of ten basis points, leaving them at -0.50%, (ii) the adoption of a phased interest rate system for the previously mentioned deposit facility, (iii) a new debt purchase program of €20 billion per month, and (iv) an improvement in financing conditions for banks in the ECB's liquidity auctions. The latest signs of growth stabilization contributed to the decision of both monetary authorities to keep interest rates unchanged in recent months, although additional stimulus measures are not ruled out in the event of a further deterioration of the economic environment.

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

Economic outlook

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

By country, the slowdown is becoming more evident and widespread in **developed economies** in the 2019-2020 period, but a very gradual recovery is expected in 2021 while the **emerging economies** was dragged by the deterioration of the global environment. Growth in the **eurozone** suffered throughout 2019 due to weaker global demand and deteriorating industrial production, as well as the burden of reversing the uncertainty associated with the UK's exit from the European Union. Slightly more accommodative economic policies helped to contain the slowdown in the second half of 2019 and maintain domestic demand, while decreased uncertainty surrounding trade and Brexit tensions could contribute to somewhat stronger growth this year. As a result, growth in the eurozone appears to have slowed significantly from 1.9% in 2018 to 1.2% in 2019 and could slow somewhat more gradually in 2020 to 0.9%, before picking up slightly to 1.2% in 2021. This trend will also have an impact on growth in **Spain**, although it will still be higher than that recorded in the eurozone, with a slowdown from 2.4% in 2018 to 1.9% in 2019 and 1.6% in 2020, before rising slightly to 1.9% in 2021.

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

Digitalization, new consumers and sustainability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regulatory Environment

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

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

Prudential Framework

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

Non-Performing Loans

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

Measures to reduce risks in banks

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

Foreign banking organizations in the United States

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

2. Progress in the union of capital markets

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

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

3. Regulation of digital transformation in the financial sector

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

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

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

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

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

4. Reference indices

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

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

5. Brexit

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

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

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

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

Strategy and business model

BBVA's Transformation Journey

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

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

The **client** base has increased and today BBVA has more clients who are even more satisfied and loyal. Its commitment to the client is reflected in the leadership position in the satisfaction index (NPS).

BBVA has also made significant advances in the **digitization** of its clients, relationship model and value proposition. Today, about 50% of the clients in Spain regularly use the mobile channel to interact with BBVA, which indicates 2015's figure has tripled. Digital channels are accelerating sales growth and client acquisition.

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

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

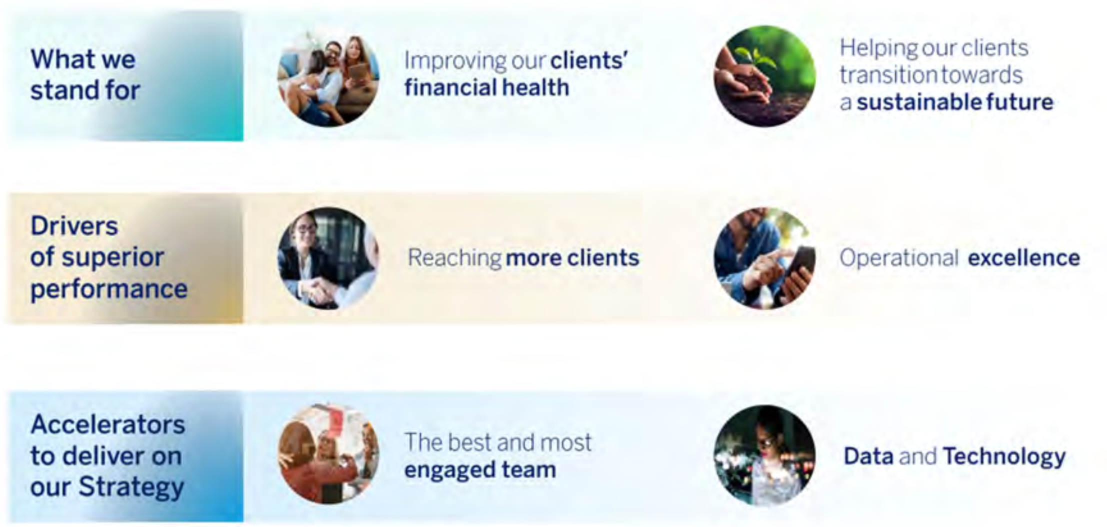
Evolution in the Strategic Priorities

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

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

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

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



1. Improving our clients' financial health

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

2. Helping our clients transition towards a sustainable future

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

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

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

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

3. Reaching more clients

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

4. Operational excellence

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

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

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

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

5. The best and most engaged team

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

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

6. Data and technology

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

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

Values

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

- **Customer comes first**

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

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

- **We think big**

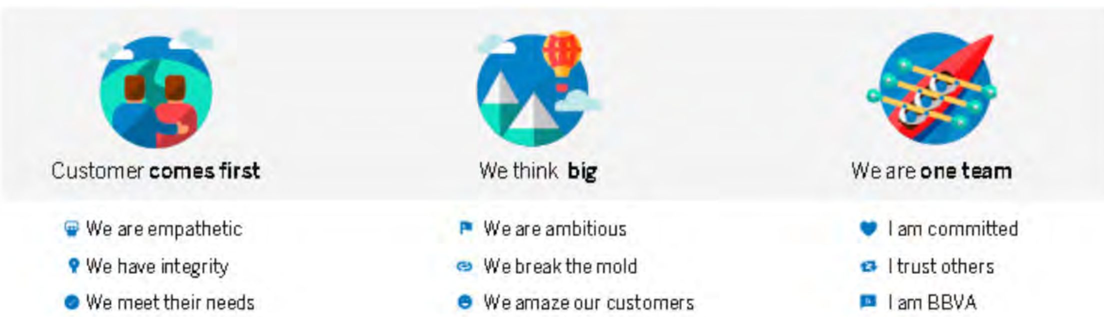
It is not about innovating for its own sake but instead to have a significant impact on the lives of people, enhancing their opportunities. BBVA Group is ambitious, constantly seeking to improve, not settling for doing things reasonably well, but instead seeking excellence as standard.

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

- **We are one team**

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

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



These values are reflected in the daily life of all Bank employees, influencing every decision.

The implementation and adoption of these values is supported by the entire Organization, including senior management, launching local and global initiatives which ensure these values are adopted uniformly throughout the Group. In 2019, the values and behaviors were included in all professional development model processes and the Talent & Culture policies.

One of the main hallmarks of BBVA is its purpose and values, as well as its status as a data-driven organization, which is to say that decisions are made based on data, ultimately in order to improve the customer experience. In 2019, the Bank made progress in strengthening its distinguishing features by holding the second edition of global **Values Day**, a milestone in BBVA's culture that aims to celebrate, internalize and live its values.

Materiality

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

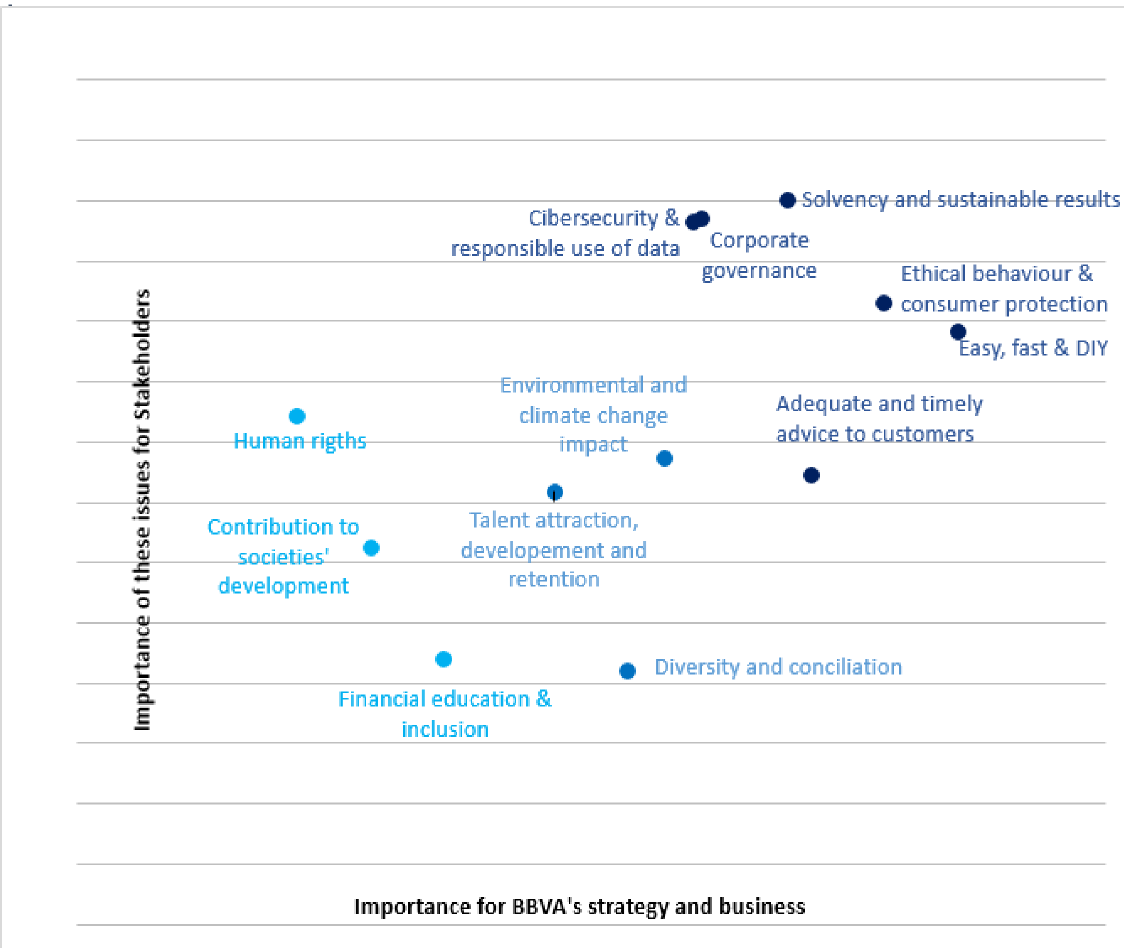
This analysis included this year, specifically issues relevant to BBVA in Turkey. Therefore, the 2019 analysis includes the material issues of Spain, Mexico, the United States, Turkey, Argentina, Colombia, Peru and Venezuela.

The materiality analysis phases have been as follows:

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

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

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



Therefore, the six most relevant issues are:

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

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

Responsible banking

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

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

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

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

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

Customer relationship

Solutions for customers

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

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

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

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

Solutions for customers in 2019 include the following:

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

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

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

Likewise, the data of **total active customers** of the Bank in Spain is also showing a positive trend in 2019, with an annual increase of 2%.

Net Promoter Score

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

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

In 2019 (December data), BBVA ranked first in the NPS retail indicator in Spain.

Transparent, Clear and Responsible Communication

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

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

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

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

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

The project is **coordinated** by a global team working together with the local TCR owner.

Indicators

BBVA uses an indicator, the **Net TCR Score** (NTCRS), which is calculated following the same methodology of the NPS and allows measuring the degree to which customers perceive BBVA as a transparent and clear bank, compared to its peers, in the main countries where the Group is present. As of December 31, 2019 BBVA ranked the first in the NTCRS indicator in Spain.

Net Financial Health Score (NFHS) was incorporated, which, like the previous one, is calculated following the same methodology of the NPS and allows measuring the degree to which customers perceive if BBVA supports them in looking after their personal finances compared to its peers. As of December 2019, BBVA ranked first in the NFHS indicator in Spain.

Customer care

Complaints and claims

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

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

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

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

Customer Care Service and Customer Ombudsman in Spain

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

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

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

Activity report on the Customer Care Service in Spain

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

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

Claims of customers admitted to BBVA's Customer Care Service in Spain amounted to 83,445 cases in 2019, 80,237 of which were resolved by the Customer Care Service itself and concluded in the same year, which represents 96% of the total. As of December 31, 2019, 3,208 were pending analysis. On the other hand, 16,861 claims were not admitted for processing as they did not meet the requirements set out in OM ECO/734. 35% of the claims received corresponded to mortgage loans, mainly mortgage arrangement expenses.

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE BY COMPLAINT TYPE (BBVA, S.A. PERCENTAGE)		
Type	**2019**	**2018**
Resources	36	30
Assets products	25	40
Collection and other services	5	5
Financial counselling and quality service	5	3
Credit cards	17	14
Securities and equity portfolios	1	1
Other	11	7
Total	**100**	**100**

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (BBVA, S.A. NUMBER)		
	2019	**2018**
In favor of the person submiting the complaint	37,384	25,383
Partially in favor of the person submitting the complaint	11,177	18,107
In favor of the BBVA Group	31,676	35,800
Total	**80,237**	**79,290**

Activity report of the Customer Ombudsman in Spain

One more year, the Customer Ombudsman once more achieved the objective of unifying criteria and favoring customer protection and security, making progress in compliance with transparency and customer protection regulations.

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

In 2019, 2,522 customer **claims** were filed at the Customer Ombudsman Office (compared to 2,295 in 2018). Of these, 60 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 77 were pending as of December 31, 2019.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE BY COMPLAINT TYPE (BBVA, S.A. NUMBER)		
Type	**2019**	**2018**
Insurance and welfare products	-	25
Assets operations	794	709
Investment services	173	146
Liabilities operations	515	753
Other banking products (credit card, ATMs, etc.)	707	437
Collection and payment services	140	105
Other	193	116
Total	**2,522**	**2,291**

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

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE ACCORDING TO RESOLUTION (BBVA, S.A. NUMBER)		
	2019	**2018**
In favor of the person submiting the complaint - Formal resolution	-	-
Partially in favor of the person submitting the complaint - Estimate (in whole or in part)	1,362	1,077
In favor of the BBVA Group - Dismissed	1,023	1,038
Processing suspended	-	1
Total	**2,385**	**2,116**

55.7% of customers who brought claims before the Customer Ombudsman during the course of the year obtained some type of satisfaction, total or partial, by resolution of the Customer Ombudsman Office in 2019. Customers who are not satisfied with the Customer Ombudsman's response can go to the official **supervisory bodies** (the Bank of Spain, the

CNMV and General Directorate of Insurance and Pension Funds). 252 claims were filed by customers to supervisory bodies in 2019.

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

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

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

Technology and innovation

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

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

Reliability and productivity

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

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

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

New technological stack: cloud paradigms

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

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

Cybersecurity

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

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

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

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

Operational excellence

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

Customer security and protection

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

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

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

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

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

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

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

Cybersecurity

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

In 2019, the Bank detected an increase in the number of attacks, accentuated by the presence of organized crime groups specializing in the banking sector and a great increase in phishing attacks on retail customers, involving attempted fraud and identity theft.

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

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

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

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

Data protection

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

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

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

Fraud prevention

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

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

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

Staff information

People management

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

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

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

As of December 31, 2019, BBVA had 25,912 employees located in more than 15 countries, 50.5% of whom were women and 49.5% men. The average age of the staff was 44.7 years. The average length of service in the Organization was 18.9 years, with a turnover of 0.8% in the year.

Professional development

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

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

Recruitment and development

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

Programs developed using this approach throughout the year stand out, such as the second edition of the global Young Data Professionals #YDP program, which allows participants to apply their knowledge and learn new skills in **real projects** with strong, multidisciplinary teams. They receive top-level training, both in their specialty and in transversal skills, and are accompanied at all times by mentors who drive their development. Using this same format of attraction and onboarding, other programs were developed such as Future Designers in Spain.

Training

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

In 2019, the training resources catalog was updated with the inclusion of content linked to new skills required in the Bank, such as Agile, Behavioral Economics, Data or Design Thinking. Training on values and legal requirements continued to be a core theme of the Bank's training, with training linked to the MIFID or LCCI Directive standing out.

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

BASIC TRAINING DATA (BBVA, S.A.)

	2019	2018
Total investment in training (millions of euros)	18.9	24.1
Investment in training per employee (euros) (1)	758	926
Hours of training per employee (2)	73.3	62.6
Employees who received training (%)	96	95
Satisfaction with the training (rating out of 10)	8.8	8.3
Amounts received from FORCEM for training in Spain (millions of euros)	3.2	3.3

(1) Ratio calculated considering the BBVA´s workforce at the end of each year (25,912 in 2019 y 26,042 in 2018).

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

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. 2019)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team (1)	927	699	228	44,200	34,173	10,027
Middle controls	1,906	1,199	707	85,884	52,911	32,973
Specialists	5,272	2,748	2,524	282,636	156,001	126,635
Sales force	12,922	5,675	7,247	1,270,383	542,676	727,707
Base positions	2,659	1,355	1,304	54,910	23,359	31,551
Total	**23,686**	**11,676**	**12,010**	**1,738,014**	**809,120**	**928,893**

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

Diversity and inclusion

At BBVA, diversity and inclusion are firmly aligned with the purpose and are in keeping with our values. BBVA is committed to diversity in its workforce as one of the key elements in attracting and retaining the best talent and offering the best possible service to its customers. In terms of gender **diversity**, women account for 50.5% of the Bank's workforce.

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

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

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

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

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

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

Lastly, the Bank has a protocol for the **prevention of** sexual **harassment** that has been in place since 2010, signed by the Bank and signatory trade union representatives that expressly state their rejection of any conduct of a sexual nature or with a sexual connotation that has the purpose or effect of violating a person's dignity, particularly when an intimidating, degrading or offensive environment is created, and they undertake to apply this agreement as a means of preventing, detecting, correcting and punishing this type of conduct within the company.

Different capabilities

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

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

As of December 31, **2019**, BBVA had 148 people with different capabilities on the Bank's staff. Additionally, progress is being made in the accessibility of the branches. The corporate headquarters of BBVA in Madrid (Ciudad BBVA) have been made accessible.

EMPLOYEES BY COUNTRIES AND GENDER (BBVA, S.A.)

	2019			2018		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	24,921	12,256	12,665	25,419	12,583	12,836
The United States	166	104	62	166	108	58
France	71	45	26	72	46	26
United Kingdom	120	86	34	126	87	39
Italy	49	26	23	50	28	22
Germany	43	25	18	41	24	17
Belgium	23	14	9	24	15	9
Portugal	373	189	184	-	-	-
Hong Kong	85	46	39	89	46	43
China	26	8	18	23	8	15
Japan	3	2	1	3	2	1
Singapore	9	2	7	8	1	7
United Arab Emirates	2	1	1	2	1	1
Russia	3	2	1	3	2	1
India	2	1	1	2	1	1
Indonesia	2	1	1	2	1	1
South Korea	2	1	1	2	1	1
Taiwan	11	4	7	9	3	6
Cuba	1	1	-	1	1	0
Total	**25,912**	**12,814**	**13,098**	**26,042**	**12,958**	**13,084**

EMPLOYEES AVERAGE AGE AND DISTRIBUTION BY AGE STAGES (BBVA, S.A. YEARS AND PERCENTAGE)

	2019				2018			
	Average age	<25	25-45	>45	Average age	<25	25-45	>45
Total	44.7	0.7	43.9	55.4	44.2	0.7	59.0	40.3

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. PERCENTAGE)

	2019			2018		
	Total	Male	Female	Total	Male	Female
Management team [(1)]	4.3	76.4	23.6	4.2	76.9	23.1
Middle controls	8.3	62.7	37.3	7.6	63.5	36.5
Specialists	23.0	51.6	48.4	22.1	51.5	48.5
Sales force	52.8	44.2	55.8	53.4	44.4	55.6
Base positions	11.6	49.8	50.2	12.7	52.2	47.8
Total	**100.0**	**49.5**	**50.5**	**100.0**	**49.8**	**50.2**

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

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND GENDER (BBVA , S.A. PERCENTAGE)

	2019			2018		
	Total	Male	Female	Total	Male	Female
Permanent employee. Full-time	96.2	50.7	49.3	96.3	50.9	49.1
Permanenet employee. Part-time	2.1	4.2	95.8	2.0	5.0	95.0
Temporary employee	1.7	1.7	65.6	1.7	37.3	62.7
Total	**100.0**	**49.5**	**50.5**	**100.0**	**49.8**	**50.2**

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND AGE STAGES (BBVA , S.A. PERCENTAGE)

	2019				2018			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Permanent employee. Full-time	96.2	0.4	54.5	45.0	96.3	0.4	58.2	41.4
Permanent employee. Part-time	2.1	-	81.9	18.1	2.0	0.0	84.7	15.3
Temporary employee	1.7	15.4	73.9	10.7	1.7	14.5	77.3	8.2
Total	**100.0**	**0.7**	**55.5**	**43.9**	**100.0**	**0.7**	**59.0**	**40.3**

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

	2019			2018		
	Permanent employee Full-time	Permanent employee Part-time	Temporary employee	Permanent employee Full-time	Permanent employee Part-time	Temporary employee
Management team (1)	99.5	0.5	-	99.9	0.1	-
Middle controls	98.6	1.4	-	98.5	1.5	-
Specialists	97.0	2.6	0.4	96.3	3.0	0.7
Sales force	96.1	2.2	1.8	96.6	1.8	1.6
Base positions	91.9	2.1	6.1	92.6	2.1	5.3
BBVA average	**96.2**	**2.1**	**1.7**	**96.3**	**2.0**	**1.7**

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

Work environment

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

Work organization

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

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

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

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

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

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

Freedom of association and representation

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

Health and labor safety

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

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

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

OCCUPATIONAL HEALTH MAIN DATA (BBVA SPAIN. NUMBER)

	2019	2018
Number of technical preventive actions	2,706	3,078
Number of preventive actions to improve working conditions	3,306	3,854
Appointments for health checks	16,796	15,590
Employees represented in health and safety committees (%)	100	100
Number of withdrawn	7,635	7,220
Total number of absenteeism hours (1)	2,209,512	2,171,846
Number of accidents with medical withdrawn	188	200
Abseentism rate (%)	2.9	2.8

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

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

RECRUITMENT OF EMPLOYEES BY GENDER (BBVA, S.A. NUMBER)

	2019			2018		
	Total	Male	Female	Total	Male	Female
Total	**2,060**	**813**	**1,247**	**1,971**	**783**	**1,188**
Of which new hires are (1):	456	297	159	539	329	210

(1) Including hires through consolidations.

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

	2019			2018		
	Total	Male	Female	Total	Male	Female
Retirement and early retirement	594	410	184	519	367	152
Voluntary redundancies	108	45	63	82	37	45
Resignations	209	124	85	196	110	86
Dismissals	49	38	11	58	36	22
Others (1)	1,624	540	1,084	1,673	605	1,068
Total	**2,584**	**1,157**	**1,427**	**2,528**	**1,155**	**1,373**

(1) Others include permanent termination and death.

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

	2019				2018			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Management team [1]	14	-	1	13	13	-	2	11
Middle controls	1	-	-	1	3	-	-	3
Specialists	6	-	2	4	6	-	2	4
Sales force	23	-	15	8	27	-	18	9
Base positions	5	-	2	3	9	-	2	7
Total	**49**	**-**	**20**	**29**	**58**	**-**	**24**	**34**

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

Volunteer work

In the **Corporate Volunteer Work Policy**, BBVA expresses its commitment to this type of activity and facilitates the conditions for its employees to carry out corporate volunteer work actions that generate social impact.

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.

In 2019, more than 1,000 employees participated in about 185 volunteer work activities organized by the Bank, focusing on the following lines of action: financial education, training in new technologies, training for employment, the environment and sustainability, and community investment.

Remuneration

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

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

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

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

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

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

	2019						2018					
	< 25 years		25-45 years		> 45 years		< 25 years		25-45 years		> 45 years	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management team (3)	-	-	132,011	103,534	132,343	115,167	-	-	116,059	98,023	133,127	109,895
Middle controls (3)	-	-	73,356	67,079	75,729	68,821	-	-	73,556	66,683	75,836	69,139
Specialists	39,916	37,910	44,969	42,411	47,672	44,283	41,176	35,711	44,996	42,482	47,530	44,070
Base positions	24,062	24,031	33,982	34,606	42,214	38,567	23,458	24,119	34,074	34,447	41,838	38,137

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

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

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

The remuneration of the members of the Board is set out in Note 49 of the Annual Report corresponding to the Bank's Annual Accounts, on an individual basis and by remuneration category. For senior management members, the average total remuneration was €1,562 thousand for men and €1,156 thousand for women.

Pensions and other benefits

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

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

With regard to other benefits, the Bank has a package of employee benefits within its specific remuneration scheme.

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

Wage gap

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

The wage gap is the percentage obtained by dividing the difference between the median remuneration of men minus the median remuneration of women, among the median remuneration of men. Additionally, a change in the methodology for calculating the wage gap was made using a higher level of disaggregation and matching positions of equal value (same function and responsibility level) in 2019. As of December 31, 2019 the wage gap by homogeneous professional categories in the Bank is 4.2% (4.1% in the prior year). Due to the change in the methodology the information related to the fiscal year 2018 has been reexpressed to make the figures comparable to those of 2019.

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

Ethical behavior

Compliance system

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

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

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

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

Mission and scope of action

Compliance functions include:

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

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

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

Organization, internal government and management model

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

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

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

- Review and periodic analysis of the applicable laws and regulations.
- Issue, promotion or updating of compliance-related policies and procedures.
- Advice to the organization in the interpretation of the Code of Conduct or compliance policies.
- Continuous supervision of activities with compliance risk.
- Management of whistleblowing channels.

- Participation in committees that deal with issues related to compliance matters.
- Participation in independent review processes on the subject.
- Periodic reporting to the senior management and to governing bodies.
- Representation of the function before regulatory bodies and supervisors in matters of compliance.
- Representation of the function in national and international forums.

In 2019, the structure of the compliance unit evolved to better align with these foundations.

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

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

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

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

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

Throughout 2019, work continued on strengthening the documentation and management of this model. The framework for behavioural indicators has also been strengthened in order to improve the early detection of this type of risk.

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

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

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

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 associates with its commitment to improving the various social environments in which it carries out its activities, and a requirement that is indispensable in preserving corporate integrity and one of its main assets: the trust of the people and institutions with which it works on a daily basis (mainly customers, employees, shareholders and suppliers).

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

As a result of the above, BBVA applies the compliance model described above for AML **risk management**. This model takes into account all regulations of the jurisdictions in which BBVA is present, the best practices of the international financial industry regarding this matter, and recommendations issued by international bodies, such as the Financial Action Task Force (FATF).

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

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

BBVA has a **monitoring tool**, which has already been implemented in Spain and continues 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 Bank, 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 is the improvement, in the processes and systems that have allowed for increases in efficiency in AML equipment.

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

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

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

Conduct with customers

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

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

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

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

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

In 2019, BBVA continued with the deployment of the plan to adapt to MIFID II through the implementation of policies and procedures on different areas. Specifically, regarding the knowledge and skills of the personnel that inform or advise, BBVA continued to develop a training program that concluded with the accreditation of practically all of the employees and agents affected.

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

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

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

Conduct on securities markets

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

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

BBVA's policy and ICC were updated in 2017 and extended to the entire Bank in 2018. In order to carry out the management of this regulation, the Bank has the GESRIC tool, which is in continuous development. The degree of adhesion to the new ICC approached 100% of the individuals in question.

In relation to the **market abuse prevention** program, the improvement of tools for detecting operations suspected of market abuse continued, strengthening their analytical capabilities.

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

In 2019, the training on market abuse was strengthened, with courses on inside information and market manipulation and on training aimed at teams dedicated to trading derivatives to customers, considered as US Person in the condition of swap dealer, in line with the American Dodd-Frank act. The annual Volcker Rule training was also provided to employees.

Other standards of conduct

One of the main mechanisms for managing conduct risk in the Group is its **whistleblowing channels**. As set out in the Code of Conduct, BBVA employees have the obligation not to tolerate any conduct that is contrary to the Code, or any conduct in the performance of their professional duties that may bring harm to the reputation or good name of BBVA. The whistleblower channel is used to help employees report observed or reported breaches of human rights by employees, customers, suppliers or colleagues; it is available 24 hours a day, 365 days a year and is also open to the Bank 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, the Bank has taken other basic commitments including:

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

Notwithstanding what is provided in "Other non-financial risks" of the Non-financial information report and "Risk factors" sections, during 2019 a number of criminal proceedings have been initiated against Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") for various alleged offenses. Notwithstanding the above, up to the date of issuance of this Management Report, BBVA has not been convicted by a final judgement criminal responsibility.

Commitment to human rights

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

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

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

These issues are grouped into four areas that serve as the basis and foundation of the Bank'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 Bank are responsible for making this commitment a reality on a day-to-day basis. Each area and employee has the duty to be familiar with all matters that pertain to them that may imply a violation of human rights, and implement the measures of due diligence to avoid it. However, BBVA has a structured governance model following the internal control model, composed of three lines of defense:

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

2. Training and cultural transformation

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

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

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

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

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

3. Processes improvement

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

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

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

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

4. Business and strategy alignment

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

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

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

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

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

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

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

Social Housing Policy in Spain

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

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

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

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

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

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

Sustainable Finance

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

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

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

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

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

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

Sustainable financing

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

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

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

Since the launch of its 2025 Pledge, the BBVA Group has mobilized a total of €29,902m in sustainable financing, and in 2019 amounted €18,087m.

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

In the area of **sustainable corporate loans**, in 2019, the Bank granted certified green loans, green and social KPI- linked loans and ESG- linked loans. Moreover, the Bank financed **sustainable projects**, mainly in the renewable energy sector. Among the operations carried out during the year were the financing of 11 wind farms in Spain.

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

BBVA offers **sustainable solutions** for retail customers, thus, in Spain, it offers credit facilities to small businesses and individuals to purchase hybrid and electric vehicles, install renewable energy solutions and improve energy efficiency in buildings. In 2019, the catalog of available sustainable solutions was expanded, both in the area of mobility and energy efficiency. On the one hand, a specific SME funding line was launched for the replacement of their vehicle fleet with plug-in electrical or hybrid models. On the other hand, in the area of housing, a line of loans to property developers was launched, specifically aimed at developments with high energy certifications, which includes the innovative possibility that retail customers who purchase these homes will be able to benefit from an interest rate subsidy on their mortgage. Sustainable financing operations with Spanish companies of smaller segments also increased.

Social and environmental impact management

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

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

Environmental risks

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

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

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

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

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

Management of direct environmental impacts

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

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

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

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

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

MAIN INDICATORS OF THE GLOBAL ECO-EFFICIENCY PLAN (BBVA SPAIN)	2019	2018 (2)
People working in the certified buildings (%)	52	49
Electricity usage per person (MWh)	5.35	5.77
Energy coming from renewable sources (%)	100	100
Co2 emissions per person (T) (1)	0.6	0.7
Water consumption per person (m^3)	7.55	8.64
People working in buildings with alternative sources of water supply (%)	23	21
Paper consumption per person (T)	0.06	0.07
People working in buildings with separate waste collection certificate (%)	52	50

Note: indicators calculated based on employees and external staff.

(1) Emissions calculated according to the market-based method.

(2) The data has been updated with respect to those published in previous reports due to post-2018 adjustments.

In 2019, the evolution of the Bank's **environmental footprint** was very positive thanks to the **measures** taken:

- Environmental management in buildings: 15 buildings in Spain have their Energy Management System certified under ISO 50.001:2018. The Bank's main headquarter is LEED certified for sustainable construction.
- Energy and climate change: 100% of the energy consumed in Spain comes from renewable sources. Also, in 2019 construction began on the BBVA-sponsored wind farm, which will supply 30% of the bank's energy consumption in Spain from 2020, under the long-term power purchase agreement (PPA) signed last year.
- Water: Water is one of the resources with the greatest impact, and in order to reduce this impact initiatives have been implemented in Spain, such as the installation of dry urinals in corporate headquarters.
- Paper and waste: The #BBVAPlasticFree project was launched with the aim of eliminating most of the single-use plastics in corporate headquarters, which has been replaced with biodegradable materials. Plastic bottles from catering services were also replaced with purified water fountains and digital freshwater stations in several buildings in Spain. These measures have helped to reduce the number of plastic bottles by more than 500,000 a year.
- Awareness campaigns: As in previous years, BBVA joined the Earth Hour initiative, during which 114 buildings and 183 Bank branches in 113 cities in Spain and Portugal turned-off their lights to fight against climate change. Many awareness-raising activities were also carried out with employees to mark World Environment Day.

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

Indirect environmental impacts

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

Sector norms

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

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

Equator Principles

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

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

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

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

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

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

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

Environmental risk analysis

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

Social Risks

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

Rules of conduct in defense

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

- Depleted uranium munitions and white phosphorus munitions were included in the definition of controversial weapons along with existing categorizations (anti-personnel mines, biological weapons, chemical weapons, cluster weapons, and nuclear weapons in certain cases).
- The scope was extended to BBVA's advisory, investment and financing services for companies and projects related to the defense sector.
- As for customer bans, the ban on manufacturers of military assault weapons for civilian use was added.

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Engagement with global initiatives

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

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

Sustainable Development Goals (SDG)

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

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

Principles for Responsible Banking

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

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

The Katowice Commitment

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

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

Contribution to society

Investment in social programs

Through its social programs, BBVA acts as an engine of opportunity for people, seeks to generate a positive impact on their lives, and delivers its aim of making the opportunities of this new era available to those who face the most difficulty, the vulnerable. In 2019, the Bank allocated €28.9m to social initiatives that benefited 1.2 million people.

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

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

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

The **financial education** objective is to promote a concept of financial education in the broad sense, through the Global Financial Education Plan, based on financial education for society, financial education in customer solutions and the promotion of financial education. For its part, BBVA develops **entrepreneurship** initiatives aimed at supporting the most vulnerable entrepreneurs and those that generate a positive social impact through their companies, while the line of **knowledge**, **education and culture** activities includes the dissemination of knowledge and education programs.

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

BBVA's **community support** activity extends to other relevant activities, such as volunteer work/community service, support for social entities and the promotion of corporate responsibility through participation in different working groups.

In terms of contributions to foundations and non-profit organizations, the global amount of these contributions in 2019 reached €4.4m.

Fiscal transparency

Fiscal strategy

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

This strategy is also part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Bank behaves with respect to taxes. This strategy is global in scope and affects everyone within 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 in which they operate. Effective compliance with the provisions of the fiscal strategy is duly monitored and supervised by the Bank's governing bodies.

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

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

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

Tax risk management and governance model

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

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

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

Cooperation with tax authorities

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

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

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

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

Total tax contribution

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

BBVA's **total tax contribution** (TTC) in Spain, 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.

GLOBAL TAX CONTRIBUTION (BBVA ESPAÑA. MILLIONS OF EUROS)

	2019	2018
Own taxes	814	1,301
Third-party taxes	1,339	1,368
Total tax contribution	**2,153**	**2,669**

Offshore financial centers

Resulting from the express policy on activities in entities permanently registered in offshore financial centers, the Bank closed in 2018 its branch in the Cayman Islands and therefore the Bank does not have activity in any off-shore financial center.

Other tax information by countries

TAX INFORMATION BY COUNTRIES (BBVA, S.A. MILLIONS OF EUROS)	2019				2018			
	CIT payment cash basis	CIT expense	PBT [(1)]	Subsidies	CIT payment cash basis	CIT expense	PBT [(1)]	Subsidies
Spain [(2)(3)]	(18)	(69)	1,948	-	532	(32)	2,252	-
Of which:	-	-	-	-	-	-	-	-
Spanish Tax Group Dividends	-	-	773	-	-	-	919	-
Foreign Subsidiaries Dividends	-	32	2,390	-	-	53	2,077	-
Sale of BBVA Chile	-	-	-	-	-	138	864	-
Impairment of Garanti	-	-	(543)	-	-	-	(1,517)	-
Impairment of BBVA USA	-	-	(279)	-	-	-	-	-
France	17	11	39	-	14	12	36	-
United Kingdom	2	3	47	-	3	2	21	-
Belgium	-	-	2	-	-	-	2	-
Portugal	4	10	43	-	4	23	42	-
Italy	3	9	26	-	8	7	23	-
The United States	36	8	51	-	38	9	63	-
Japan	-	-	1	-	-	-	-	-
Singapur	1	1	8	-	1	1	7	-
Germany	20	(11)	9	-	17	1	16	-
Hong-Kong	-	5	38	-	-	1	14	-
Taiwan	-	(1)	(2)	-	-	-	(2)	-
South Korea	-	-	-	-	-	-	-	-
China	-	-	(2)	-	-	-	(1)	-
Poland	-	-	(0)	-	-	-	-	-
Switwerland	12	-	-	-	7	-	-	-
Turkey	-	-	-	-	9	-	-	-
Argentina	-	-	-	-	1	-	-	-
Chile	3	-	-	-	205	-	-	-
Colombia	3	-	-	-	4	-	-	-
Paraguay	4	-	-	-	4	-	-	-
Peru	5	-	-	-	4	-	-	-
Total	**92**	**(34)**	**2,208**	**-**	**850**	**24**	**2,474**	**-**

(1) PBT: Profit before tax.

(2) Including dividends from foreign subsidiaries which are taxed in their home country. See Note 4 of Dividends of the Financial Statements.

(3) In 2019, the methodology for calculating advance payments of the annual tax return provided for in Corporate Income Tax legislation, may lead to differences between the advance payments made in the current year and the refund of those advance payments made in previous years resulting once the annual corporate income tax return has been submitted. As a result of these differences, there has been a net cash refund.

During 2019, BBVA 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.

Suppliers

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

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

ESSENTIAL DATA ABOUT SUPPLIERS (BBVA SPAIN)

	2019	2018
Number of suppliers [(1)]	1,429	1,308
Volume provided by suppliers (millions of euros) [(1)]	2,401	2,667
Average payment period to suppliers (days)	51	46
Suppliers satisfaction index [(3)]	81	n.a.
Number of approved suppliers	1,675	1,285

n.a. = not applicable.

[(1)] Payments to third parties. Suppliers lower than 100.000 euros are not included.

[(2)] Bienal survey.

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

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

Responsible procurement policy

The Responsible Procurement Policy establishes, among other aspects, that it is necessary to ensure compliance with all applicable legal requirements throughout the provisioning process regarding **human**, **labor**, **association and environmental rights** by all parties involved in this process as well becoming involved in the Bank'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 BBVA's Code of Conduct, based on respect for legality, commitment to integrity, competition, objectivity, transparency, creation of value and confidentiality. The following are included among the clauses contained in the specifications and in the contractual model:

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

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

Supply chain

BBVA operates a technological platform, the Global Procurement System (GPS), which supports all phases of the Bank's **procurement process**, from budgeting to invoice registration, including electronic invoicing.

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

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

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

Supplier management

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

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

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

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

In terms of **local** suppliers, these represent 97% of BBVA's total suppliers in 2019, and 95% of total turnover. A local supplier, in this context, is one whose tax identification matches the country of the company receiving the goods or services.

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

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

Average period payment to suppliers

The average period payment to suppliers during the year 2019 is 28 days, below the maximum legal limit of 60 days established by Law 15/2010 of July 5, for which measures are put into place combating late payment in commercial transactions. The calculation of the average period for payment was made as established in the Act.

Other non-financial risks

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

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

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

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		Page / Section Management report BBVA 2019	GRI reporting criteria	Pages
General information				
Business model	Brief description of the group's business model	Strategy and business model	GRI 102-2 GRI 102-7	10-12
	Geographical presence	About BBVA	GRI 102-3 GRI 102-4 GRI 102-6	2
	Objectives and strategies of the organization	Strategy and business model	GRI 102-14	11-12
	Main factors and trends that may affect your future evolution	Environment Evolution in the Strategic Priorities	GRI 102-14 GRI 102-15	5-9;11-12
General	Reporting framework	Non-financial information report	GRI 102-54	3
Management approach	Description of the applicable policies	Customer security and protection Staff information & Professional development Ethical behavior Sustainable finance	GRI 103-2	23-24;26-27;35-40;44
	The results of these policies	Customer security and protection Staff information & Professional development Ethical behavior Sustainable finance	GRI 103-2	23-24;26-27;35-40;44
	The main risks related to these issues involving the activities of the group	Strategy and business model Customer security and protection Staff information & Professional development Ethical behavior Sustainable finance	GRI 102-15	11-12; 23-24;26-27;35-40;44
Environmental questions				
Environmental management	Current and predictable impacts of the company's activities on the environment and, if applicable, on health and safety.	Social and environmental impact management/Environmental risks	GRI 102-15	47-49
	Environmental assessment or certification procedures	Social and environmental impact management/Environmental risks	GRI 103-2	48
	Resources dedicated to the prevention of environmental risks	Sustainable Finance Social and environmental impact management	GRI 103-2	44;47-49
	Application of the precautionary principle	Social and environmental impact management	GRI 102-11	47-49
	Amount of provisions and guarantees for environmental risks	Sustainable Finance	GRI 103-2	44
Contamination	Measures to prevent, reduce or repair air pollution emissions (including noise and light pollution)	Social and environmental impact management	GRI 102-46	48
Circular economy and waste prevention and management	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	Social and environmental impact management	GRI 103-2 GRI 306-2	48
	Actions to combat food waste	BBVA Group considers this indicator not to be material.	GRI 103-2 GRI 306-2	
Sustainable use of resources	Water consumption and water supply according to local constraints	Social and environmental impact management/Environmental risks	GRI 303-5 (2018 GRI version)	48
	Use of raw materials and measures taken to improve the efficiency of their utilization	Social and environmental impact management/Environmental risks	GRI 102-46	48
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	Measures taken to improve energy efficiency	Social and environmental impact management/Environmental risks	GRI 103-2 GRI 302-4	48
	Use of renewable energies	Social and environmental impact management/Environmental risks	GRI 302-1	48
Climate change	The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	Social and environmental impact management/Environmental risks	GRI 305-1 GRI 305-2 GRI 305-3	48
	Measures taken to adapt to the consequences of climate change	Social and environmental impact management/Environmental risks	GRI 103-2	47-49
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Protection of biodiversity	Measures taken to protect or restore biodiversity	Sustainable Finance Social and environmental impact management / Principles of Ecuador The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity.	GRI 102-46	44;48-49

	Impacts caused by activities or operations in protected areas	Sustainable Finance Social and environmental impact management / Principles of Ecuador The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity.	GRI 102-46	44;48-49
Social and personnel questions				
Employees	Total number and distribution of employees according to country, gender, age, country and professional classification	People management	GRI 102-8 GRI 405-1	28
	Total number and distribution of work contract modalities	Professional development	GRI 102-8	28-29
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	Professional development	GRI 102-9	28-29
	Number of dismissals by sex, age, and professional classification	Work environment	GRI 103-2	31-32
	Salary gap	Remuneration	GRI 103-2 GRI 405-2	33-34
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	Remuneration	GRI 103-2 GRI 405-2	33-34
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term forecast savings and any other perception broken down by gender	Remuneration	GRI 103-2 GRI 405-2	33-34
	Implementation of employment termination policies	Work environment / Work organization	GRI 103-2	30
	Employees with disabilities	Professional development / Different capabilities	GRI 405-1	27
Work organization	Work schedule organization	Work environment / Work organization	GRI 103-1	30
	Number of hours of absenteeism	Work environment / Health and labor safety	GRI 403-9 (2018 GRI version)	31
	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	Work environment / Diversity and inclusion	GRI 401-2	27
Health and safety	Work health and safety conditions	Work environment / Health and labor safety	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018 GRI version)	31
	Work accidents, in particular their frequency and severity, disaggregated by gender	Work environment / Health and labor safety	GRI 403-9 GRI 403-10 (2018 GRI version)	31
	Occupational diseases, disaggregated by gender	Work environment / Health and labor safety	GRI 403-9 GRI 403-10 (2018 GRI version)	31
Social relationships	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	Work environment / Freedom of association and representation	GRI 103-1	30
	Percentage of employees covered by collective agreement by country	Work environment / Freedom of association and representation	GRI 102-40	30
	The balance of collective agreements, particularly in the field of health and safety at work	Work environment / Health and labor safety	GRI 403-3	30-31
Training	Policies implemented for training activities	Professional development / Training	GRI 103-2 GRI 404-2	26
	The total amount of training hours by professional category	Professional development / Training	GRI 404-1	26
Universal accessibility for people with disabilities	Universal accessibility for people with disabilities	Professional development / Different capabilities	GRI 103-2	27
Equality	Measures taken to promote equal treatment and opportunities between women and men	Professional development / Diversity and inclusion	GRI 103-2	27
	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men)	Professional development / Diversity and inclusion	GRI 103-2	27
	Measures adopted to promote employment, protocols against sexual and gender-based harassment, integration, and the universal accessibility of people with disabilities	Professional development / Diversity and inclusion	GRI 103-3	27
	Policy against any type of discrimination and, where appropriate, diversity management	Professional development / Diversity and inclusion	GRI 103-4	27
Information about the Respect for human rights				

Human rights	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	Commitment to human rights	GRI 102-16 GRI 102-17 GRI 412-1	41-43
	Claims regarding cases of human rights violations	BBVA has not identified any significant complaints and impacts with respect to human rights in its workplaces.	GRI 103-2 GRI 406-1	
	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	Commitment to human rights	GRI 103-2 GRI 406-1 GRI 407-1 GRI 408-1 GRI 409-1	41-43
Information about anti-bribery and anti-corruption measures				
Corruption and bribery	Measures adopted to prevent corruption and bribery	Compliance system Other non-financial risks	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	35-40;58
	Measures adopted to fight against anti.money laundering	Anti-money laundering and financing of terrorism	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	36-37
	Contributions to fundations and non-profit-making bodies	Contribution to society	GRI 102-13 GRI 201-1	51
Information about the society				
Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	Contribution to society	GRI 103-2 GRI 203-2	51
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	The relationships maintained with representatives of the local communities and the modalities of dialog with these	Materiality Contribution to society	GRI 102-43 GRI 413-1	14;51
	Actions of association or sponsorship	Investment in social programs	GRI 103-2 GRI 201-1	51
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	Suppliers	GRI 103-2	55-57
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	Suppliers	GRI 102-9 GRI 308-1	55-57
	Supervision systems and audits, and their results	Suppliers	GRI 102-9 GRI 308-2	55-57
Consumers	Customer health and safety measures	Solutions for customers Commitment to human rights / Social Housing Policy in Spain Customer security and protection	GRI 103-2	17-18; 43;23-24
	Claims systems, complaints received and their resolution	Customer care / Complaints and claims	GRI 103-2 GRI 418-1	19-21
Tax information	Benefits obtained by country	Fiscal transparency	GRI 201-1	54
	Taxes on paid benefits	Fiscal transparency	GRI 201-1	54
	Public subsidies received	Fiscal transparency	GRI 201-4	54

Balance sheet, business activity and earnings

The financial information included in this Management report has been prepared from the individual accounting and management records of Banco Bilbao Vizcaya Argentaria, S.A. and with the criteria established by the Bank of Spain Circular 4/2017, on Public and Confidential Financial Reporting Rules and Formats for Financial Statements, and its subsequent amendments.

The key figures in the Bank's balance sheet with respect to its main business are as follow:

The Bank's total balance sheet as of December 31, 2019 stood at €408,634m (€399,940m in 2018). At the close of 2019, "Financial Assets at Amortized Cost" amounted to €225,369m, compared with €219,127m for the previous year. As of December 31, 2019 customer deposits stood at €191,461m (€192,419m in 2018).

During 2019, the Bank´s profit after tax amounted to €2,241m (€2,450m in 2018).

Administration costs decreased to €3,881m in 2019, compared with €4,077m in 2018.

Gross income for 2019 totalled €8,406m, compared with €8,412m in 2018.

Net interest income in 2019 stood at €3,464m (€3,491m in 2018).

Risk management

General risk management and control model

The BBVA Group has a general risk management and control model (hereinafter, the "Model") that is appropriate for its business model, its organization, the countries where it operates and its corporate governance system. This model allows the Group to carry out its activity within the risk management and control strategy and policy defined by the corporate bodies of BBVA and to adapt itself to a changing economic and regulatory environment, facing this management at a global level and aligned to the circumstances at all times.

This model, which is fully applied in the Group, comprises the following basic elements:

- Governance and Organization
- Risk Appetite Framework
- Assessment, Monitoring and Reporting
- Infrastructure.

The Group promotes the development of a risk culture that ensures a consistent application of the Model in the Group, and that guarantees that the risks function is understood and internalized at all levels of the organization.

Governance and Organization

The risk governance model in the BBVA Group is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in monitoring and supervising its implementation on an ongoing basis.

Thus, and as explained below, the corporate bodies are responsible for approving the risk strategy and the corporate policies for the different types of risks. Global Risk Management (GRM) and Regulation and Internal Control (including, among other areas, Non-Financial Risks) are the functions responsible for its implementation and development, with the appropriate reporting to corporate bodies.

Responsibility for day-to-day management of risks falls on business and corporate areas, the activities of which adhere to the policies, regulation, infrastructures and controls that, based on the framework set by corporate bodies, are defined by Global Risk Management and Regulation & Internal Control in their corresponding areas of responsibility.

To carry out this work adequately, the financial risks function in the BBVA Group (GRM) has been set up as a single, global function independent from commercial areas.

The head of the risks function at an executive level, the Group's Chief Risk Officer (or CRO), is appointed by the Board of Directors as a member of its senior management, and reports directly on the development of the corresponding functions to the corporate bodies. The Chief Risk Officer, for the best fulfillment of the functions, is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical and/or business areas.

In addition, and with regard to internal control and non-financial risks, the Group has a Regulation & Internal Control area independent from the rest of units and whose head (Head of Regulation & Internal Control) is also appointed by the Board of Directors of BBVA and reports directly to corporate bodies on the performance of its functions. This area is responsible for proposing and implementing non-financial risks policies and the Internal Control Model of the Group and it is composed by, among other, the Non-Financial Risks, Regulatory Compliance and Risk Internal Control units.

The Risk Internal Control unit, within the Regulation & Internal Control area and, therefore, independent from the financial risks function (GRM), acts as a control unit for the activities carried out by GRM. In this regard, and without prejudice to the functions performed in this regard by the Internal Audit area, Risk Internal Control checks that the regulatory framework and established measures are sufficient and appropriate for each type of financial risk. It also monitors its implementation and operation, and confirms that those decisions taken by GRM are taken independently from the business lines and, in particular, that there's an adequate segregation of functions between units.

Governance and organizational structure are basic pillars for ensuring an effective risk management and control. This section summarizes the roles and responsibilities of the corporate bodies in the risks area, of the Group's Chief Risk Officer and, in general, of the risks function, its interrelation and the group of committees, in addition to the Risk Internal Control unit.

Corporate Bodies of BBVA

According to the corporate governance system of BBVA, the Board of Directors of the Bank has certain reserved powers concerning management, through the implementation of the corresponding most relevant decisions, and concerning supervision and control, through the monitoring and supervision of implemented decisions and management of the Bank.

In addition, and to ensure an adequate performance of the management and supervisory functions of the Board of Directors, the corporate governance system comprises different committees supporting the Board of Directors with regard to matters falling within their competence, and according to the specific charters of each committees. For this purpose, a coordinated work scheme between these corporate bodies has been established.

In terms of risks, the Board of Directors has reserved those powers referred to determining the risk control and management policy and the supervision and control of its implementation.

In addition, and for an adequate performance of its duties, the Board of Directors is assisted by the Risk and Compliance Committee ("CRC"), on the issues detailed below, and by the Executive Committee ("CDP"), which is focused on the strategy, finance and business functions of the Group, for the purposes of which it monitors the risks of the Group.

The involvement of the corporate bodies of BBVA in the control and management of the risks of the Group is detailed below:

- Board of Directors

  The Board of Directors is responsible for establishing the risk strategy of the Group and, in this role, it determines the risks management and control policy, through the following documents:

  - The Risk Appetite Framework of the Group, which includes in the one hand the risk appetite statement of the Group, that is, the general principles governing the risk strategy of the Group and its target profile; and, on the other hand, and based on the above mentioned risk appetite statement, a set of quantitative metrics (core metrics, and their corresponding statements, and by type of risk metrics), reflecting the risk profile of the Group;
  - The framework of management policies of the different types of risk to which the Bank is, or could be, exposed. They contain the basic lines for a consistent management and control of risks throughout the Group, and consistent with the Risk Appetite Framework and the Model; and
  - The model.

  All of the above in coordination with the rest of prospective-strategic decisions of the Bank, which includes the Strategic Plan, the Annual Budget and the capital and liquidity planning, in addition to the rest of management objectives, whose approval is a responsibility of the Board of Directors.

  In addition to defining the risk strategy, the Board of Directors, in the performance of its risks monitoring, management and control tasks, also monitors the evolution of the risks of the Group and of each main business and/or geographical area, ensuring compliance with the Risk Appetite Framework of the Group; and also supervising internal information and control systems.

  For the development of all these functions, the Board of Directors is supported by the CRC and the CDP, which are responsible for the functions detailed below.

- Risk and Compliance Committee

  The CRC is, according to its own charter, composed of non-executive directors and its main purpose is to assist the Board of Directors on the establishment and monitoring of the risk control and management policy of the Group.

For this purpose, it assists the Board of Directors in a variety of risk control and monitoring areas, in addition to its analysis functions, based on the strategic pillars established by the Board of Directors and the CDP, the proposals on the risk management, control and strategy of the Group, which are particularly specified in the Risk Appetite Framework and in this Model. After the analysis, the Risk Appetite Framework and Model proposal is submitted to the Board of Directors for consideration and, where appropriate, approval purposes.

In addition, the CRC proposes, in a manner consistent with the Risk Appetite Framework of the Group approved by the Board of Directors, the management and control policies of the different risks of the Group, and supervises the internal control and information systems.

With regard to the monitoring of the evolution of the risks of the Group and their degree of compliance with the Risk Appetite Framework and defined policies, and without prejudice to the monitoring task carried out by the Board of Directors and the CDP, the CRC carries out monitoring and control tasks with greater frequency and receives information with a sufficient granularity to achieve an adequate performance of its duties.

The CRC also analyzes all measures planned to mitigate the impact of all identified risks, should they materialize, which must be implemented by the CDP or the Board of Directors, as the case may be.

The CRC also monitors the procedures, tools and measurement indicators of those risks established at a Group level in order to have a comprehensive view of the risks of BBVA and its Group, and monitors compliance with the regulation and supervisory requirements in terms of risks.

The CRC is also responsible for analyzing those project-related risks that are considered strategic for the Group or corporate transactions that are going to be submitted to the Board of Directors of the CDP, within its scope of competence.

In addition, it contributes to the setting of the remuneration policy, checking that it is compatible with an appropriate and efficient management of risks and that it does not provide incentives to take risks breaching the level tolerated by the Bank.

In 2019, the CRC has held 21 meetings.

Lastly, the CRC ensures the promotion of the risk culture in the Group.

- Executive Committee (CDP)

  In order to have a complete and comprehensive view of the progress of the businesses of the Group and its business units, the CDP monitors the evolution of the risk profile and the core metrics defined by the Board of Directors, being aware of any potential deviation or breach of the metrics of the Risk Appetite Framework and implementing, when applicable, the appropriate measures, as explained in this Model.

  In addition, the CDP is responsible for proposing the basis for developing the Risk Appetite Framework, which will be established in coordination with the rest of prospective/strategic decisions of the Bank (e.g., the Strategic Plan, the Annual Budget and the capital and liquidity planning), in addition to the rest of management objectives.

  Lastly, the CDP is the committee supporting the Board of Directors in decisions related to business risk and reputational risk, according to the dispositions set out in its own charter.

Chief Risk Officer of the Group

The Group's Chief Risk Officer (CRO) is responsible for the management of all the financial risks of the Group with the necessary independence, authority, rank, experience, knowledge and resources. The CRO is appointed by the Board of Directors of BBVA and has direct access to its corporate bodies (Board of Directors, CDP and CRC), with the corresponding regular reporting on the risk situation in the Group.

The GRM area has a responsibility as the unit transversal to all the businesses of the BBVA Group. This responsibility is part of the structure of the BBVA Group, which is formed by subsidiaries based in different jurisdictions, which have autonomy and must comply with their local regulation, but always according to the risk management and control scheme designed by BBVA as the parent company of the BBVA Group.

The Chief Risk Officer of the BBVA Group is responsible for ensuring that those risks of the BBVA Group within the scope are managed according to the established model, assuming, among other, the following responsibilities:

- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the risk strategy of the BBVA Group, which includes the Risk Appetite statement of the BBVA Group, core (and their respective statements) and by type of risk metrics, and the Model.
- Define, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the corporate policies for each type of risk within its scope of responsibility and, as part these, to establish the required specific regulation.
- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose for approval, or approving if within its competence, the risk limits for the geographies, business areas and/or legal entities, which shall be consistent with the defined Risk Appetite Framework; it is also responsible for the monitoring, supervision and control of risk limits within its scope of responsibility.

- Submit to the Risk and Compliance Committee the information required to carry out its supervisory and control functions.
- Regular reporting to the corresponding corporate bodies on the situation of those risks of the BBVA Group within its scope of responsibility.
- Identify and assess the material risks faced by the BBVA Group within its scope of responsibility, with an effective management of those risks and, where necessary, with the implementation of the required mitigation measures.
- Early warning to the relevant corporate bodies and the Chief Executive Officer of any material risk within its scope of responsibility that could compromise the solvency of the BBVA Group.
- Ensure, within its scope of responsibility, the integrity of measurement techniques and management information systems and, in general, the provision of models, tools, systems and resources to implement the risk strategy defined by the corporate bodies.
- Promote the risk culture of the BBVA Group to ensure the consistency of the Model in the different countries where it operates, strengthening the cross-cutting model of the risks function.

For decision-making purposes, the Chief Risk Officer of the Group has a governance structure for the function that culminates in a support forum, the Global Risk Management Committee (GRMC). This committee is the main executive committee for those risks within its competence, and its main purpose is the development of the strategies, policies, regulation and infrastructure required for identifying, assessing, measuring and managing those material risks within its scope of responsibility faced by the Group. This committee is composed by the Chief Risk Officer, who chairs the meetings, and the heads of the GRM corporate disciplines of the Risk Management Group, the four most relevant geographical risk areas, CIB, South America and Risk Internal Control. The purpose of the GRMC is to propose and challenge, among other issues, the internal risk regulatory framework and the infrastructures required to identify, assess, measure and manage the risks faced by the Group in carrying out its businesses and to approve risk limits by portfolio.

The GRMC carries out its functions assisted by various support committees which include:

- Global Credit Risk Management Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission.
- Wholesale Credit Risk Management Committee: its purpose is the analysis and decision-making regarding the admission of wholesale credit risk of certain customer segments of the BBVA Group.
- Work Out Committee: its purpose is to be informed about decisions taken under the delegation framework regarding risk proposals concerning clients on Watch List and clients classified as NPL of certain customer segments of the BBVA Group, as well the sanction of proposals regarding entries, exits and changes of Watch List, entries and exits in non-performing unlikely to pay and turns to written off.
- Asset Allocation Committee: The executive authority responsible for analyzing and deciding on credit risk issues related to processes aimed at achieving a portfolios combination and composition that, under the restrictions imposed by the Risk Appetite framework, allows to maximize the risk adjusted return on equity.
- Risk Models Management Committee: It ensures an appropriate decision-making process regarding the planning, development, implementation, use, validation and monitoring of the models required to achieve an appropriate management of the Model Risk in the BBVA Group.
- Global Markets Risk Unit Global Committee: It is responsible for formalizing, supervising and communicating the monitoring of trading desk risk in all the Global Markets business units, as well as coordinating and approving GMRU key decisions activity, and developing and proposing to GRMC the corporate regulation of the unit.
- Operational Risk and Product Governance Corporate Admission Committee: It is responsible for performing the adequate evaluation of initiatives with a significant operational risk (new business, products, outsourcing, process transformation, new systems....) under the perspective of operational risk and the approval of the budget control area.
- It identifies, analyzes and assesses the operational risks associated initiatives related with new business, products or services, outsourcing, process transformation and new systems, prior to its launch. As well, it will verify that Product Governance normative requirements are met and will decide about the insurance scheme (global policies).
- Retail Credit Risk Committee: It ensures for the analysis, discussion and decision support on all issues regarding the retail credit risk management that impact or potentially do in the practices, processes and corporate metrics established in the Policies, Rules and Operating Frameworks.
- Asset Management Global Risk Steering Committee: its purpose is to develop and coordinate the strategies, policies, procedures, and infrastructure necessary to identify, assess, measure and manage the material risks facing the bank in the operation of businesses linked to BBVA Asset Management.
- Global Insurance Risk Committee: its purpose is to guarantee and promote the alignment and the communication between all the Insurance Risk Units in the BBVA Group. It will do this by promoting the application of standardized principles, policies, tools and risk metrics in the different regions with the aim of maintaining proper integration of insurance risk management in the Group.
- COPOR: its purpose is to analyze and make decision in relation to the operations of the various geographies in which Global Markets is present.

Risk units of the corporate area and the business/geographical areas

The risks function is comprised of risk units from the corporate area, which carry out cross-cutting functions, and of risk units of the geographical/business areas.

- The risk units of the corporate area develop and submit to the Group's Chief Risk Officer (CRO) the different elements required to define the proposal for the Group's Risk Appetite Framework, the corporate policies, regulation and global infrastructures within the operating framework approved by corporate bodies; they ensure their application and report directly or through the Group's Chief Risk Officer (CRO) to the corporate bodies of BBVA. With regard to non-financial risks and reputational risk, which are entrusted to Regulation & Internal Control and Communications & Responsible Business respectively, the corporate units of GRM will coordinate, with the corresponding corporate units of those areas, the development of the elements that should be integrated into the Appetite Framework of the Group.
- The risk units of the business and/or geographical areas develop and submit to the Chief Risk Officer of the geographical and/or business areas the Risk Appetite Framework proposal applicable in each geography and/or business area, independently and always according to the Group's strategy/Risk Appetite Framework. In addition, they ensure the application of corporate policies and rules with the necessary adaptations, when applicable, to local requirements, providing the appropriate infrastructures for risk management and control purposes, within the global risk infrastructure framework defined by the corporate areas, and reporting to the corresponding corporate bodies and senior management, as applicable. With regard to Non-financial risks, which are integrated in the Regulation & Internal Control area, the local risk units will coordinate, with the unit responsible for the local management of this risk, the development of the elements that should be integrated into the local Risk Appetite Framework.

Thus, the local risk units work with the risk units of the corporate area with the aim of adapting themselves to the risk strategy at Group level and pooling all the information required to monitor the evolution of their risks.

As previously mentioned, the risks function has a decision-making process supported by a structure of committees, and also a top-level committee, the GRMC, whose composition and functions are described in section "Corporate Bodies of BBVA".

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

Under this organizational scheme, the risks function ensures the integration and application throughout the Group of the risk strategy, the regulatory framework, the infrastructures and standardized risk controls. It also benefits from the knowledge and proximity to customers in each geographical and/or business area, and conveys the corporate risk culture to the Group's different levels. Moreover, this organization enables the risks function to conduct and report to the corporate bodies an integrated monitoring and control of the risks of the entire Group.

Chief Risk Officers of geographical and/or business areas

The risks function is cross-cutting, i.e. it is present in all of the Group's geographical and/or business areas through specific risk units. Each of these units is headed by a Chief Risk Officer for the geographical and/or business area who, within the relevant scope of responsibility, carries out risk management and control functions and is responsible for applying the corporate policies and rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and with the subsequent reporting to local corporate bodies.

The Chief Risk Officers of the geographical and/or business areas have functional reporting to the Group's Chief Risk Officer and hierarchical reporting to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risks function from the operating functions and enable its alignment with the Group's corporate policies and goals related to risks.

Risk Internal Control

The Group has a specific Risk Internal Control unit, within the Regulation & Internal Control area, that, among other tasks, independently challenges and control the regulation and governance structure in terms of financial risks and its implementation and deployment in GRM, in addition to the challenge of the development and implementation of financial risks control and management processes. In addition, it is also responsible for validating the risk models.

For this purpose, it has 3 subunits: Risk Internal Control, Risks Technical Secretariat and Risk Internal Validation.

- Risk Internal Control. It is responsible for challenging an appropriate development of the functions of GRM units, and for reviewing that the functioning of financial risks management and control processes is appropriate and in line with the corresponding regulation, identifying potential opportunities for improvement and contributing to the design of the action plans to be implemented by the responsible units.

- Risks Technical Secretariat. It is responsible for the definition, design and management of the principles, policies, criteria and processes through which the regulatory risk framework is developed, processed, reported and disclosed to the countries; and for the coordination, monitoring and assessment of its consistency and completeness. In addition, it coordinates the definition and structure of Risks Committees, and monitors their proper functioning, in order to ensure that all risk decisions are taken through an adequate governance and structure, ensuring their traceability. It also provides to the CRC the technical support required in terms of financial risks for a better performance of its functions.
- Risk Internal Validation. It is responsible for validating the risks models. In this regard, it effectively challenges the relevant models used to manage and control the risks faced by the Group, as an independent third party from those developing or using the models in order to ensure its accuracy, robustness and stability. This review process is not restricted to the approval process, or to the introduction of changes in the models, but it is a plan to make a regular assessment of those models, with the subsequent issue of recommendations and actions to mitigate identified weaknesses.

The Head of Risk Internal Control of the Group is responsible for the function and the reporting of the activities and work plans to the Head of Regulation & Internal Control and to the CRC, with the corresponding support in the issues required.

In addition, the risk internal control function is global and transversal, it includes all types of financial risks and has specific units in all geographical and/or business areas, with functional reporting to the Head of Risk Internal Control of the Group.

Risk Appetite Framework

Elements and development

The Group's Risk Appetite Framework approved by the corporate bodies determines the risks and the risk level that the Group is willing to assume to achieve its business objectives considering the organic evolution of business. They are expressed in terms of solvency, liquidity and funding and profitability and income recurrence, which are reviewed periodically and in case of material changes in the business strategy of the entity or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk Appetite Statement: sets out the general principles of the Group's risk strategy and the target risk profile:

  The BBVA Group aims to promote a multichannel and responsible universal banking business model, based on values, committed to sustainable development and operational excellence and focused on our customers' needs.

  To achieve these goals, the BBVA risk model is oriented to maintaining a moderate risk profile, a robust financial position and a sound risk-adjusted profitability through-the-cycle, as the best way to face adverse environments without jeopardizing our strategic goals.

  Risk Management at BBVA is based on prudent management, an integral view of all risks, a portfolio diversification by geography, asset class and client segment and keeping a long-term relationship with the client; thereby contributing to sustainable and profitable growth and recurrent value creation.

- Statements and core metrics: based on the appetite statement, statements are established that specify the general principles of risk management in terms of solvency, liquidity and funding and profitability and income recurrence. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite statement. Each core metric has three thresholds ranging from usual management of the businesses to higher levels of impairment:
  - Management reference: reference that determines a comfortable management level for the Group.
  - Maximum appetite: maximum level of risk that the Group is willing to accept in its ordinary activity.
  - Maximum capacity: maximum risk level that the Group could assume which, for some metrics, is associated with regulatory requirements.
- Statements and metrics by type of risk: based on the core metrics and their thresholds for each type of risk, statements are established that set out the general management principles for that risk and a number of metrics are determined, whose observance enables compliance with the core metrics and the Group's Risk Appetite statement. These metrics have a maximum risk appetite threshold.

In addition to this Framework, there is a level of management limits that is defined and managed by the areas responsible for the management of each type of risk in the development of the structure of metrics by type of risk, in order to ensure that the early management of risks complies with that structure and, in general, with the established Risk Appetite Framework.

Each significant geographical area[2] has its own Risk Appetite framework, consisting of its local Risk Appetite statement, core metrics and statements, metrics and statements by type of risk, which must be consistent with those set at the Group level, but adapted to their own reality. These are approved by the corresponding corporate bodies of each entity. This Appetite Framework is deployed through a structure of limits consistent with the above.

The corporate risks area works with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into, the Group's Risk Appetite Framework, making sure that its profile is in line with the one defined. Moreover, and for the purposes of monitoring at local level, the Chief Risks Officer of the geographical and/or business area regularly reports on the evolution of the metrics of the Local Appetite Framework to the corporate bodies, as well as to the relevant top-level local committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

Within the issuing process of the Risk Appetite Framework of the Risks area (GRM), Risk Internal Control carries out an effective challenge of the Framework before being submitted to corporate bodies for analysis and, where applicable, approval.

Monitoring of the Risk Appetite Framework and management of breaches

So that corporate bodies can develop the risk functions of the Group, the heads of risks at an executive level will regularly report (or more frequently in the case of the CRC, within its scope of responsibility) on the evolution of the metrics of the Risk Appetite Framework of the Group, with the sufficient granularity and detail, in order to check the degree of compliance of the risks strategy set out in the Risk Appetite Framework of the Group approved by the Board of Directors.

If, through the monitoring of the metrics and supervision of the Risk Appetite Framework by the executive areas, a relevant deviation or breach of the maximum appetite levels of the metrics is identified, that situation must be reported and, where applicable, the corresponding corrective measures must be submitted to the CRC.

After the relevant review by the CRC, the deviation must be reported to the CDP –as part of its role in the monitoring of the evolution of the risk profile of the Group– and to the Board of Directors, which will be responsible, when applicable, for implementing the corresponding executive measures. For this purpose, the CRC will submit to the corresponding corporate bodies all the information received and the proposals prepared by the executive areas, together with its own analysis.

Notwithstanding the foregoing, once the information has been analyzed and the proposal of corrective measures has been reviewed by the CRC, the CDP may adopt, on grounds of urgency and under the terms established by law, measures corresponding the Board of Directors, but always reporting those measures to the Board of Directors in the first meeting held after the implementation for ratification purposes.

In any case, an appropriate monitoring process will be established –with a greater information frequency and granularity, if required– regarding the evolution of the breached or deviated metric, and the implementation of the corrective measures, until it has been completely redressed, with the corresponding reporting to corporate bodies, in accordance with its risks monitoring, supervision and control functions.

Integration of the Risk Appetite Framework into the management

The transfer of the Risk Appetite Framework to ordinary management is underpinned by three basic elements:

1. The existence of a consistent regulatory framework: the corporate risks area defines and proposes the corporate policies within its scope of action, and develops the additional internal regulation required for the development of those policies and the operating frameworks on the basis of which risk decisions must be adopted within the Group. The approval of the corporate policies for all types of risks is a responsibility of the corporate bodies of BBVA, while the rest of regulation is defined at an executive level according to the framework of competences applicable at any given time. The risks units of the geographical and/or business areas comply with this regulation and performing, where necessary, the relevant adaptation to local requirements, in order to have a decision-making process that is appropriate at local level and aligned with the Group's policies.
2. Risk planning, which ensures the integration into the management of the Risk Appetite Framework through a cascade process established to set limits adjusted to the target risk profile. The risks units of the corporate area and of the geographical and/or business areas are responsible for ensuring the alignment of this process with the Group's Risk Appetite Framework in terms of solvency, liquidity and funding and profitability and income recurrence.
3. A comprehensive management of risks during their life cycle, based on differentiated treatment according to their type.

2 For the purposes of this model, significant is any geography representing more than 1% of the assets or operating income of the BBVA Group.

Assessment, monitoring and reporting

Assessment, monitoring and reporting is a cross-cutting function at Group level. This function ensures that the model has a dynamic and proactive vision to enable compliance with the Risk Appetite Framework approved by the corporate bodies, even in adverse scenarios.

This process is integrated in the activity of the risk units, both of the corporate area and in the geographical and/or business units, together with the units specialized in non-financial risks and reputational risk within the Regulation & Internal Control and Communications & Responsible Business areas respectively, in order to generate a comprehensive and single view of the risk profile of the Group.

This process is developed through the following phases:

- Monitoring of the identified risk factors that can compromise the performance of the Group or of the geographical and/or business areas in relation to the defined risk thresholds.
- Assessment of the impact of the materialization of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress testing scenarios.
- Response to unwanted situations and proposals for redressing measures to the corresponding levels, in order to enable a dynamic management of the situation, even before it takes place.
- Monitoring the Group's risk profile and the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.
- Reporting: complete and reliable information on the evolution of risks to corporate bodies and senior management, with the frequency and completeness appropriate to the nature, significance and complexity of the reported risks. The principle of transparency governs all the risk information reporting process.

Infrastructure

For the implementation of the Model, the Group has the resources required for an effective management and supervision of risks and for achieving its goals. In this regard, the Group's risks function:

- Has the appropriate human resources in terms of number, ability, knowledge and experience. The profile of resources will evolve over time based on the specific needs of GRM and Regulation & Internal Control, always with a high analytical and quantitative capacity as the main feature in the profile of those resources. Likewise, the corresponding units of the geographical and/or business areas ensure they have sufficient means from the resources, structures and tools perspective in order to achieve a risk management process aligned with the corporate model.
- Develops the appropriate methodologies and models for the measurement and management of the different risk profiles, and the assessment of the capital required to take those risks.
- Has the technological systems required to: support the risk appetite framework in its broadest definition; calculate and measure the variables and specific data of the risk function; support risk management according to this Model; and provide an environment for storing and using the data required for risk management purposes and reporting to supervisory bodies.
- Promotes an adequate data governance to ensure solid quality standards in the processes aligned with the relevant internal regulation.

Within the risk functions, both the profiles and the infrastructure and data shall have a global and consistent approach.

The human resources among the countries must be equivalent, ensuring a consistent operation of the risk function within the Group. However, they will be distinguished from those of the corporate area, as the latter will be more focused on the conceptualization of appetite frameworks, operating frameworks, the definition of the regulatory framework and the development of models, among other tasks.

As in the case of the human resources, technological platforms must be global, thus enabling the implementation of the risk appetite framework and the standardized management of the risk life cycle among all countries.

The corporate area is responsible for deciding on the platforms and for defining the knowledge and roles of the human resources. It is also responsible for defining risk data governance.

The foregoing is reported to the corporate bodies of BBVA so they can ensure that the Group has the appropriate means, systems, structures and resources.

Risk culture

The BBVA Group promotes the development of a risk culture based on the observance and understanding of values, attitudes, and behaviors that allow the compliance with the regulations and frameworks that contribute to an appropriate risk management.

At BBVA the Risk Governance Model is characterized by a special involvement of social bodies, as they define the risk culture that permeates the rest of the organization and has the following main elements:

- Our Purpose which defines our reason to be and with our values and behaviors guide the performance of our organization and the people who are part of it.
- The Risk Appetite Framework which determines the risks and levels of risks that the Group is willing to assume in order to fulfill its goals.
- The Code of Conduct establishes the behavior guidelines that we must follow to adjust our behavior to the BBVA values.

The Risk Culture at BBVA is based on these levers:

- Communication: The BBVA Group promotes the dissemination of the principles and values that should govern the conduct and risk management in a comprehensive and consistent manner. To do this, the most appropriate channels of communication are used, to allow for the Risk culture to be integrated into the business activities at all levels of the organization.
- Training: The BBVA Group favors the understanding of the values, risk management model, and the code of conduct in all scenarios, ensuring standards in skills and knowledge.
- Motivation: The BBVA Group aims to define incentives for BBVA employees that support the risk culture at all levels. Among these incentives, the role of the Compensation policy and incentive programs stand out, as well as implementation of risk culture control mechanisms, including the complaint channels and the disciplinary committees.
- Monitoring: The BBVA Group pursues at the highest levels of the organization a continuous evaluation and monitoring of the risk culture to guarantee its implementation and identification of areas for improvement.

Operational Risk

BBVA defines operational risk ("OR") as any risk that could result in losses caused by human error; inadequate or flawed internal processes; undue conduct with respect to customers, markets or the institution; failures, interruptions or flaws in systems or communications; inadequate data management; legal risk; and finally, as a result of external events, including cyberattacks, third-party fraud, disasters and defective service provided by suppliers.

Operational risk management is oriented towards the identification of the root causes to avoid their occurrence and mitigate possible consequences. This is carried out through the establishment of mitigation plans and control frameworks aimed at minimizing resulting losses and their impact on the recurrent generation of income and the profit of the Group. Operational risk management is integrated into the global risk management structure of the BBVA Group.

This section addresses general aspects of operational risk management as the main component of non-financial risks. However, sections devoted to conduct and compliance risk and to cybersecurity risk management are also included in the non-financial information report.

Operational Risk Management Principles

The BBVA Group is committed to preferably applying advanced operational risk management models, regardless of the capital calculation regulatory model applicable at the time. Operational risk management at the BBVA Group shall:

- Be aligned with the Risk Appetite Framework ratified by the BBVA Board of Directors.
- Address BBVA's management needs in terms of compliance with legislation, regulations and industry standards, as well as the decisions or positioning of BBVA's corporate bodies.
- Anticipate the potential operational risk to which the Group may be exposed as a result of the creation or modification of products, activities, processes or systems, as well as decisions regarding the outsourcing or hiring of services, and establish mechanisms to assess and mitigate risk to a reasonable extent prior to implementation, as well as review the same on a regular basis.
- Establish methodologies and procedures to enable regular reassessment of the significant operational risk to which the Group is exposed, in order to adopt appropriate mitigation measures in each case, once the identified risk and the cost of mitigation (cost/benefit analysis) have been considered, while safeguarding the Group's solvency at all times.
- Promote the implementation of mechanisms that support careful monitoring of all sources of operational risk and the effectiveness of mitigation and control environments, fostering proactive risk management.
- Examine the causes of any operational events suffered by the Group and establish means to prevent the same, provided that the cost/benefit analysis so recommends. To this end, procedures must be in place to evaluate operational events and mechanisms and to record the operational losses that may be caused by the same.

- Evaluate key public events that have generated operational risk losses at other institutions in the financial sector and support, where appropriate, the implementation of measures as required to prevent them from occurring at the Group.
- Identify, analyze and attempt to quantify events with a low probability of occurrence and a high impact, which by their exceptional nature may not be included in the loss database; or if they are, feature with impacts that are not very representative for the purpose of valuing possible mitigation measures.
- Have an effective system of governance in place, where the functions and responsibilities of the corporate areas and bodies involved in operational risk management are clearly defined.
- Operational risk management must be performed in coordination with management of other risk, taking into consideration credit or market events that may have an operational origin.

Operational risk control and management model

The operational risk management cycle at BBVA is similar to the one implemented for the rest of risks. Its elements are:

Operational risk management parameters

Operational risk forms part of the risk appetite framework of the Group and includes three types of metrics and limits:

- Economic capital calculated with the operational losses database of the Group and the industry, considering the corresponding diversification effects and the additional estimation of potential and emerging risks through stress scenarios designed for the main types of risks. The economic capital is regularly calculated for the main banks of the Group and simulation capabilities are available to anticipate the impact of changes on the risk profile or new potential events.
- ORI metrics (Operational Risk Indicator: operational risk losses vs. gross income) broken down by geography, business area and type of risk.
- Additionally, a more granular common scheme of metrics (indicators and limits) covering the main types of operational risk is being implemented throughout the Group. These metrics will make it possible to intensify the anticipatory management of risk and objectify the appetite to different sources.

Operational risk admission

The main purposes of the operational risk admission phase are the following:

- To anticipate potential operational risk to which the Group may be exposed due to the release of new, or modification of existing, products, activities, processes or systems, as well as purchasing decisions (e.g. outsourcing).
- To ensure that implementation is only performed once appropriate mitigation measures have been taken in each case, including risk assurance where deemed appropriate.

The Corporate Non-Financial Risk Management Policy sets out the specific operational risk admission framework through different committees, at a corporate and Business Area level, that follow a delegation structure based on the risk level of proposed initiatives.

Operational risk monitoring

The purpose of this phase is to check that the target operational risk profile of the Group is within the authorized limits. Operational risk monitoring considers 2 scopes:

- Monitoring the operational risk admission process, oriented towards checking that accepted risks levels are within the limits and that defined controls are effective.
- Monitoring the operational risk "stock" associated with processes. This is done by carrying out a periodic re-evaluation in order to generate and maintain an updated map of the relevant operational risks in each Area, and evaluate the adequacy of the monitoring and mitigation environment for said risks. This promotes the implementation of action plans to redirect the weaknesses detected.

This process is supported by a corporate Governance, Risk & Compliance tool that monitors OR at a local level and its aggregation at a corporate level.

In addition, and in line with the best practices and recommendations provided by the BIS, BBVA has procedures to collect the operational losses occurred in the different entities of the Group and in other financial groups, with the appropriate level of detail to carry out an effective analysis that provides useful information for management purposes and to contrast the consistency of the Group's operational risk map. To that end, a corporate tool of the Group is used.

The Group ensures continuous monitoring by each Area of the due functioning and effectiveness of the control environment, taking into consideration management indicators established for the Area, any events and losses that have occurred, as well as the results of actions taken by the second line of defense, the internal audit unit, supervisors or external auditors.

Operational risk mitigation

Several cross-sectional plans are being promoted in recent years for the entire BBVA Group to encourage a forward-looking management of operational risks. To that end, focuses have been identified from events, self-assessments and recommendations from auditors and supervisors in different geographies, both in the Group and the industry, thereby analyzing the best practices and fostering comprehensive action plans to strengthen and standardize the control environment.

One of the core plans is outsourcing management, which is an increasingly important subject in the Group, the industry and the regulatory environment. Some of the different initiatives launched under this scheme are summarized below:

- Strengthening the admission process of these initiatives and their control and monitoring frameworks.
- New internal regulation comprising the best practices of the industry.
- Integration in the 3 lines of defense control model: roles and responsibilities in each phase of its life cycle.
- Risk management of the service and the supplier.
- Review of its governance process, which is included in operational risk governance, and escalation criteria.
- Adaptation of the model and the management tool to the new requirements, including those coming from the new EBA guidelines, in force since September 30, 2019.

This plan will still be in place throughout 2020 with a focus on aligning our stock of arrangements with the new standards introduced by the EBA guidelines.

Insurance of Operational Risk

Insurance is one of the possible options for managing the operational risk to which the Group is exposed, and mainly has two potential purposes:

- Coverage of extreme situations linked to recurrent events that are difficult to mitigate or can only be partially mitigated by other means.
- Coverage of nonrecurrent events that could have significant financial impact, if they occurred.

The Group has a general framework that regulates this area, and allows systematizing risk assurance decisions, aligning insurance coverage with the risks to which the Group is exposed and reinforcing governance in the decision-making process of arranging insurance policies

Operational Risk Control Model

BBVA Group's operational risk governance model is based on two components:

- Three-line defense control model, in line with industry best practices, and which guarantees compliance with the most advanced operational risk internal control standards.
- Scheme of Corporate Assurance Committees and Internal Control and Operational Risk Committees at the level of the different business and support areas.

Corporate Assurance establishes a structure of committees, both local and corporate, to provide senior management with a comprehensive and homogeneous vision of these significant situations. The aim is to support rapid decision-making with foresight, for the mitigation or assumption of the main risks.

Each geography has a Corporate Assurance Committee chaired by the Country Manager and whose main functions are:

- Monitoring the changes in the non-financial risks and their alignment with the defined strategies and policies and the risk appetite.
- Analyzing and assessing controls and measures established to mitigate the impact of the risks identified, should they materialize.
- Making decisions about the proposals for risk taking that are conveyed by the working groups or that arise in the Committee itself
- Promoting transparency by promoting the proactive participation of the three lines of defense in discharging their responsibilities and the rest of the organization in this area

At the holding company level there is a Global Corporate Assurance Committee, chaired by the Group's Chief Executive Officer. Its main functions are similar to those already described but applicable to the most important issues that are escalated from the geographies and the holding company areas.

The business and support areas have an Internal Control and Operational Risk Committee, the purpose of which is to ensure the due implementation of the operational risk management model within its scope of action and drive active management of such risk, taking mitigation decisions when control weaknesses are identified and monitoring the same.

Additionally, the Non-Financial Risk unit periodically reports the status of the management of non-financial risks in the Group to the Board's Risk and Compliance Committee.

Risk factors

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

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

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

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

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

Macroeconomic and geopolitical risks

Global growth decelerated in 2019 to growth rates slightly below 3% in annual terms in the second half of the year, below the 3.6% of 2018. Increased trade protectionism and geopolitical risks had a negative impact on economic activity, mainly on exports and investment, additionally to the structural slowdown in the Chinese economy and the cyclical moderation of the US and Eurozone economies. However, the counter-cyclical policies announced in 2019, led by central banks, along with the recent reduction in trade tensions between the United States and China and the disappearance of the risk of a disorderly Brexit in the short term, are leading to some stabilization of global growth, based on the relatively strong performance of private consumption supported by the relative strength of labor markets and low inflation. Thus, global growth forecasts stand around 3.2% for both 2019 and 2020.

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

Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.

The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, internal control Model, the Code of Conduct, tax strategy and Responsible Business Strategy of the Group.

For more information regarding the model of work risk prevention, the compliance system, the management of the tax risk as well as social and environmental risks, see sections " Work environment", "Ethical behavior", "Fiscal transparency" "Sustainable Finance", respectively, within the Non-financial statement.

IBOR reform

Regarding regulatory risks, the global interest rates benchmark reform is a key area of focus for BBVA. Interbank interest rates (IBORs) are key references that underpin many contracts within the financial sector worldwide. Following the 2014 recommendations from the Financial Stability Board (FSB), authorities in various countries are promoting initiatives that enable the financial system to reduce its reliance on IBORs and make a transition to risk-free alternative interest rates (RFR) by the end of 2021. These RFRs have been designed to overcome the difficulties related to the IBOR rates, in particular to minimize reliance on expert judgment and ensure greater transparency and understanding during its definition process. Transitions could occur from the rate that was historically used as a reference to the new RFR (e.g. the transition from EONIA to €STR in Europe, or the transition from the LIBOR dollar to SOFR in the United States) or by evolving the existing index methodology, in both cases overnight (e.g. SONIA for the GBP market) or term (e.g. EURIBOR).

The BBVA Group has a significant number of financial assets and liabilities whose contracts refer to IBOR rates. EURIBOR is identified as the most relevant reference rate in the Group, and is used, among others, for loans, deposits and debt issues as well as underlying in derivative instruments. In the case of EONIA, it has a minor presence in the banking book but it is used as the underlying rate in derivative instruments in the trading book and for the treatment of collaterals. In the case of LIBORs, the USD is the most relevant currency mainly used for derivative instruments.

The IBOR transition has been identified as a complex initiative, affecting BBVA in different geographical areas and business lines, as well as in a multitude of products, systems and processes. For this reason, BBVA has established a transition project with a robust governance structure. The Executive Steering Committee is represented by the senior management of the affected areas and reports directly to the Group's Global Leadership Team. At local level, each geographical area has established a local governance structure with the participation of the senior management. Coordination between geographical areas is ensured through the Project Management Office (PMO) and the Global Working Groups that have a multi-geographic and cross-sectional vision of the Legal, Risk, Regulatory, Finance and Accounting, Engineering and Communication areas. The project has also been raised in the Corporate Assurance committees of the geographical areas and businesses as well as in the Group's Global Corporate Assurance committee.

The project considers the different approaches and timings for transition to the new RFRs when assessing the economic, operational, legal, financial, reputational and compliance risks associated with the transition, as well as defining the lines of action to mitigate them. One important aspect is the impact on financial instruments contracts that refer to the IBOR rates and that expire after 2021. In the case of the EONIA, BBVA will take measures to novate contracts that expire after 2021. The Group already has new clauses that include the €STR as a substitute index as well as clauses that include the €STR as the main index in new contracts. In the derivatives area (the main use of the EONIA) the actions are leveraged in the work of ISDA. In the case of LIBOR, uncertainty regarding its future requires identifying the contracts that expire after 2022 in order to prepare for potential contractual novations. At the same time, the clauses that industry associations suggest as alternatives or substitutes for LIBOR are being analyzed so that they can be included in the contracts. With regard to the EURIBOR, the European authorities have supported the index's continuation and the evolution of its methodology so that it complies with the European Benchmarks Regulation. The authorities have also said that the new methodology continues to measure the same economic reality. BBVA is actively involved in various working groups such as the EURO RFR WG, which actively works to define fallback provisions in contracts, amongst other things.

BBVA will make every reasonable effort to treat its customers in a fair and transparent manner and to safeguard their interests during the transition to the new benchmarks. BBVA also remains committed to market participants, authorities and our customers to back an orderly transition and mitigate the risks that result from it.

Business, operational and legal risks

New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation...) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels...). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.

Technological risks and security breaches: The Group is exposed to new threats such as cyberattacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control.

For more information regarding the customer protection, see section "Customer care" within the Non-financial information report.

The financial sector is exposed to increasing litigation, so the financial institutions face a large number of proceedings of every kind, civil, criminal, administrative, litigation, as well as investigations from the supervisor or other governmental authorities, along several jurisdictions, which consequences are difficult to determine (including those procedures in which an undetermined number of applicants is involved, in which damages claimed are not easy to estimate, in which an exorbitant amount is claimed, in which new jurisdictional issues are introduced under creative non – contrasted legal arguments and those which are at a very initial stage).

In Spain, in many of the existing procedures, applicants' claim, both at Spanish courts and through preliminary rulings towards the European Union Court of Justice that various clauses usually included under a mortgage loan with credit institutions are stated abusive (including mortgage fees clauses, early redemption right clause, referenced interest rate type and opening fee). In particular, with regards to consumer mortgage loan agreements linked to the mortgage loan reference index (Índice de Referencia de los Préstamos Hipotecarios — mortgage loan reference index) (IRPH), which is the average interest rate calculated by the Bank of Spain and published in the Official Spanish Gazette (Boletín Oficial del Estado) for mortgage loans of more than three years for freehold housing purchases granted by Spanish credit institutions and which is considered the "official interest rate" by mortgage transparency regulations, on 14th December, 2017 the Spanish Supreme Court, in its Ruling No 669/2017 (the Ruling), held that it was not possible to determine that a loan's interest rate was not transparent simply due to it making reference to one official rate or another, nor can its terms then be confirmed as unfair under the provisions of Directive 93/13/EEC of 5th April, 1993. As of the date of this Annual Report, a preliminary ruling is pending in which the Ruling is being challenged before the Court of Justice of the European Union. BBVA considers that the Ruling is clear and well founded.

On September 10, 2019, the Advocate General of the Court of Justice of the European Union issued a report on this matter.

In that report, the Advocate General of the Court of Justice of the European Union concluded that the bank to which the preliminary ruling relates (Bankia, S.A.) complied with the requirement of transparency imposed by the applicable European regulation. The Advocate General also indicated that it is for the national courts to carry out the checks they consider necessary in order to analyze compliance with the applicable transparency obligations in each individual case.

The Advocate General's report does not bind the decision which the Court of Justice of the European Union may take finally on this matter in the future.

It is therefore necessary to await the Court of Justice of the European Union's ruling on the matter referred in the preliminary ruling in order to determine whether it may have any effect on BBVA.

The impact of any potential unfavorable ruling by the Court of Justice of the European Union is difficult to predict at this time, but could be material. The impact of such a resolution may vary depending on matters such as (i) the decision of the Court of Justice of the European Union on what interest rate should be applied to the applicable loans; and (ii) whether the effects of the judgment are applied retroactively. According to the latest available information, the amount of mortgage loans to individuals linked to IRPH and up to date with the payment is approximately €2,800m.

In addition, there are also claims before the Spanish courts challenging the application of certain interest rates and other mandatory rules to certain revolving credit card agreements. The resolutions in this type of proceedings against the Group or other banking entities may directly or indirectly affect the Group.

The Group is involved in several competition investigations and other legal actions related to competition initiated by third parties in various countries which may give raise to penalties and claims by third parties.

As mentioned in the section "Other non-financial risks" of the Non-financial information report of this Management report, Central Investigating Court No. 6 of the National High Court is investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt) in the Preliminary Proceeding No. 96/2017. Piece No. 9 of this proceeding includes the provision of services to the Bank. It is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group's reputation caused thereby.

The Group regularly promotes internal investigations into possible violations of its code of conduct or applicable regulations, including corruption and sanctions, and such investigations could be time-consuming and costly. In addition, the Group constantly manages and monitors investigations, proceedings and legal or regulatory actions brought by third parties, making provisions for their coverage where necessary (based on the number of disputes and the status of the proceedings or actions). However, the outcome of investigations, legal or regulatory proceedings or actions, to which the Bank is already a party, as well as those which may arise in the future or to which other credit entities are a party, is difficult to predict and, accordingly, in the event of changes in legal criteria or adverse outcomes of some of these, the provisions recorded may be insufficient and may have a material adverse effect on the Group's business, financial position and result of operations.

Capital, treasury stocks, solvency and capital ratios

Capital and treasury stock

Information about common stock and transactions with treasury stock is detailed in Notes 23 and 26 of the accompanying Financial Statements.

Capital ratios

BBVA's solvency and capital ratios required by the regulation in force are outlined in Note 28 of the accompanying Financial Statements.

Subsequent events

On January 31, 2020 it was announced that it was foreseen to submit to the consideration of the corresponding government bodies the proposal of cash payment in a gross amount of €0.16 per share to be paid in April 2020 as final dividend for 2019 (see Note 3 of the accompanying Financial Statements).

From January 1, 2020 to the date of preparation of these Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

Annual Corporate Governance Report

In accordance with the provisions established by Article 540 of the Spanish Corporate Act, the BBVA Group prepared the Annual Corporate Governance Report for 2019 (which is an integral part of the Management Report for that year) following the content guidelines set down in Order ECC/461/2013, dated March 20, and in Circular 5/2013, dated June 12, of Comisión Nacional del Mercado de Valores (CNMV), in the wording provided by Circular 2/2018, dated June 12, of CNMV. It is also included a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain. In addition, all the information required by Article 539 of the Spanish Corporate Act can be accessed on BBVA's website www.bbva.com.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE 31/12/2019

Tax Identification No.
[C.I.F.] A48265169

Company Name: Banco Bilbao Vizcaya Argentaria, S.A.

Registered Office: 4 Plaza de San Nicolás, 48005 Bilbao (Biscay)

A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
24/04/2017	EUR 3,267,264,424.20	6,667,886,580	6,667,886,580

Indicate if there are different share classes with different rights associated with them:

NO

A.2 Detail the direct and indirect holders of significant shareholdings in your company at financial year-end, excluding directors:

Name or corporate name of the shareholder	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
Blackrock, Inc.		5.48%	0.44%		5.92%

Details of indirect participation:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights

Remarks
State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd., as international custodian/depositary banks, hold, as of 31 December 2019, 11.68%, 2.03% and 6.64% of BBVA's share capital, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of the BBVA share capital. Communication of significant shareholdings to the CNMV (Spanish National Securities Market Commission): On 18 April 2019, Blackrock, Inc. informed the CNMV that it had an indirect holding of 5.917% of BBVA's share capital, through the company Blackrock, Inc.

Indicate the most significant changes in the shareholder structure during the financial year:

Name or corporate name of the shareholder	Date of transaction	Description of transaction

A.3 Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

Name or corporate name of the director	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Carlos Torres Vila	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Onur Genç	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tomás Alfaro Drake	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Miguel Andrés Torrecillas	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jaime Félix Caruana Lacorte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Belén Garijo López	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Manuel González-Páramo Martínez-Murillo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sunir Kumar Kapoor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carlos Loring Martínez de Irujo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lourdes Máiz Carro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Maldonado Ramos	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ana Cristina Peralta Moreno	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Juan Pi Llorens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Susana Rodríguez Vidarte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jan Paul Marie Francis Verplancke	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights held by the Board of Directors	**0.02%**

Details of indirect participation:

Name or corporate name of the director	Name or corporate name of direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights	% of voting rights that can be transferred through financial instruments

A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities, except those described in section A.6:

Name of related person or company	Type of relationship	Brief description

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Name of related person or company	Type of relationship	Brief description

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders or who were linked to significant shareholders and/or their group companies, and specify the nature of the relationships. In particular, indicate, where applicable, the existence, identity and position of board members—or their representatives—of the listed company who are members—or representatives of members—of the management body of companies that hold significant shareholdings in the listed company or of companies of said significant shareholders' groups.

Name or corporate name of linked director or representative	Name or corporate name of linked holder of significant shareholdings	Name of the company of the significant shareholder's group	Description of relationship/ position

A.7 Indicate whether the company has been informed of any shareholder agreements that may affect it, as set out under Articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

NO

Indicate whether the company is aware of the existence of concerted actions by its shareholders. If so, describe them briefly:

NO

If there has been any amendment or breaking-off of said pacts or agreements or concerted actions in the financial year, indicate this expressly:

A.8 Indicate whether any legal or natural person exercises or may exercise control over the company pursuant to Article 5 of the Securities Exchange Act. If so, identify them:

NO

A.9 Fill in the following tables regarding the company's treasury shares:

At financial year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
0	12,617,189	0.19%

(*) Through:

Name or corporate name of direct holder of shareholding	Number of direct shares
Corporación General Financiera, S.A.	12,617,189
Total:	**12,617,189**

Give details of any significant changes that have occurred during the financial year:

Explain the significant changes
In 2019, four communications regarding treasury shares were sent, as the acquisitions had exceeded the 1% threshold. The communications were as follows: • Communication date: 16/01/2019. A total of 5,465,501 direct shares and 44,085,788 indirect shares were kept as treasury shares, representing a total of 0.743% of the share capital. This communication was made after acquisitions exceeded the 1% threshold. • Communication date: 27/03/2019. A total of 5,767,796 direct shares and 23,568,447 indirect shares were kept as treasury shares, representing a total of 0.440% of the share capital. This communication was made after acquisitions exceeded the 1% threshold. • Communication date: 28/06/2019. A total of 2,056,497 direct shares and 15,633,396 indirect shares were kept as treasury shares, representing a total of 0.265% of the share capital. This communication was made after acquisitions exceeded the 1% threshold. • Communication date: 25/09/2019. A total of 534,400 direct shares and 15,616,967 indirect shares were kept as treasury shares, representing a total of 0.242% of the share capital. This communication was made after acquisitions exceeded the 1% threshold.

A.10 Describe the conditions and term of the current mandate of the General Meeting for the Board of Directors to issue, buy back and transfer treasury shares.

- BBVA's Annual General Shareholders' Meeting held on 17 March 2017, under item three of the agenda, passed a resolution to delegate to the Board of Directors the power to increase share capital for a period of five years up to a maximum amount corresponding to 50% of BBVA's share capital on the date of such authorisation. This can be done on one or several occasions, to the amount that the Board resolves, by issuing new shares of any kind allowed by law, with or without an issue premium, the counter-value of said shares comprising cash considerations. The authorisation includes the setting out of the terms and conditions of the share capital increase in any respect not provided for in the resolution, and delegation to the Board of a power to wholly or partly exclude pre-emptive subscription rights in relation to any share capital increase carried out by virtue of the resolution when so demanded by the corporate interest and in compliance with the applicable legal requirements. However, this power was limited insofar as the nominal amount of the capital increases resolved upon or actually carried out with an exclusion of the pre-emptive subscription right by virtue of the above delegation or resolved upon or executed to accommodate the conversion of ordinarily convertible issues that are also carried out with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to issue convertible securities granted by the General Shareholders' Meeting, under item five of the agenda, may not exceed the maximum nominal amount, as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

To date, BBVA has not adopted any resolution using this delegated power.

- BBVA's Annual General Shareholders' Meeting held on 17 March 2017, under the fifth item on the agenda, delegated to the Board of Directors the power to issue securities that are convertible into newly issued BBVA shares, on one or more occasions within a maximum term of five years, up to a total combined maximum amount of EUR 8,000,000,000 or its equivalent in any other currency; the Board may likewise resolve upon, set and determine each and every one of the terms and conditions of the issues carried out by virtue of that delegated power, determine the basis and mode of conversion, and resolve upon, set and determine the conversion ratio, which may be fixed or variable. Moreover, the General Meeting resolved to delegate to the Board the power to totally or partially exclude pre-emptive subscription rights over any issue of convertible securities that may be made hereunder, when the corporate interest so requires, in compliance with any legal requirements established to this end. However, this power was limited in so far as the normal amount of the capital increases resolved upon or actually carried out to accommodate the conversion of ordinarily convertible issues executed by virtue of that delegated power with an exclusion of the pre-emptive subscription right, and those resolved upon or executed also with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to increase share capital granted by the General Meeting, under item four of the Agenda, may not exceed the maximum nominal amount, as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

  Through the aforementioned delegation, BBVA made five issuances of contingently convertible perpetual securities (Additional Tier 1 capital instruments), without pre-emptive subscription rights. In particular: two issuances were made in 2017, for amounts of EUR 500 million and USD 1 billion; one issuance were made in 2018, for an amount of EUR 1 billion; and two issuances were made in 2019, for amounts of EUR 1 billion and USD 1 billion.

- BBVA's Annual General Shareholders' Meeting held on 16 March 2018, under the third item of the agenda, resolved to grant BBVA the authority, whether directly or through any of its subsidiaries, and for a period of no more than five years, at any time and on as many occasions as it deems necessary, to derivatively acquire BBVA shares by any means permitted by law, including charging the acquisition to the profits for the financial year and/or to freely available reserves, as well as to later divest the acquired shares by any means permitted by law. The derivative acquisition of shares is to be carried out, in all cases, in accordance with the conditions established by the applicable legislation or by the competent authorities and, in particular, with the following conditions: (i) the nominal value of the treasury stock acquired, whether directly or indirectly, by means of this authorisation, when added to that already held by BBVA and its subsidiaries, may not exceed 10% of the subscribed share capital of BBVA or, where appropriate, the maximum amount permitted under the applicable legislation; and (ii) the acquisition price per share may not be lower than the nominal value of the share, and must be under 10% higher than the share price or any other price associated with the shares at the time that they are acquired. The aforementioned General Shareholders' Meeting also expressly authorised that the shares acquired by BBVA or any of its subsidiaries may, through the foregoing authorisation, be partially or totally set aside for workers or directors of BBVA or its subsidiaries, either directly or as a result of them exercising any option rights that they may hold.

A.11 Estimated floating capital:

	%
Estimated floating capital	93.87

Remarks
This estimated floating BBVA capital has been calculated by deducting, from the share capital, the capital held by the direct and indirect holders of significant shares (section A.2), the members of the Board of Directors (section A.3) and the capital held in treasury shares (section A.9), as of 31 December 2019, in accordance with the instructions to complete the Annual Corporate Governance Report.

A.12 Indicate whether there is any restriction (statutory, legislative or of any other kind) on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the takeover of the company through the purchase of its shares on the market, as well as any authorisation or prior communication regimes that are applicable to the purchase or transfer of the company's financial instruments in accordance with sector legislation.

NO

A.13 Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms under which the restrictions would be rendered effective:

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

YES

Where applicable, indicate the different share classes, and the rights and obligations that each share class confers.

Indicate the different share classes
All the shares in BBVA's share capital are of the same class and series, and confer the same political and economic rights. There are no different voting rights for any shareholder. There are no shares that do not represent capital. The Bank's shares are admitted to trade on the stock exchanges in Madrid, Barcelona, Bilbao and Valencia, through the Spanish Stock Exchange Interconnection System (Continuous Market), as well as on the stock exchanges in London and Mexico. BBVA's American Depositary shares (ADS) are traded on the New York stock exchange.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate, giving details where applicable, whether there are any deviations from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum for holding the General Meeting.

YES

	% required for quorum if different to that set out in art. 193 of the CEA for general circumstances	% required for quorum if different to that set out in art. 194 of the CEA for special circumstances
Quorum on first call	0.00%	66.66%
Quorum on second call	0.00%	60.00%

Description of the differences
Article 194 of the Corporate Enterprises Act establishes that in order for a General Meeting (whether ordinary or extraordinary) to validly resolve to increase or reduce capital or make any other amendment to the bylaws, bond issuance, the suppression or limitation of pre-emptive subscription rights over new shares, or the transformation, merger or spin-off of the company or global assignment of assets and liabilities or the offshoring of domicile, the shareholders present and represented on first calling must own at least 50% of the subscribed capital with voting rights. On second calling, 25% of said capital will be sufficient. Notwithstanding the foregoing, Article 25 of the BBVA Bylaws requires a super quorum of members representing two thirds of the subscribed capital with voting rights on first calling, and 60% of the subscribed capital on second calling, for the valid adoption of resolutions on the following matters: re-definition of the corporate purpose; the transformation, total spin-off or winding up of the Company; and the modification of the statutory article defining this super quorum.

B.2 Indicate, giving details where applicable, whether there are any deviations from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

NO

B.3 Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Shareholders' Meeting is empowered to amend the Company Bylaws and to confirm or rectify the manner in which they are interpreted by the Board of Directors.

To such end, the rules established under Articles 285 et seq. of the Corporate Enterprises Act shall apply.

The above paragraph notwithstanding, Article 25 of the BBVA Bylaws establishes that in order to validly adopt resolutions regarding any change to the corporate purpose, transformation, total spin-off or winding up of the Company and amendment of the second paragraph of said Article 25, two thirds of the subscribed capital with voting rights must attend the General Meeting on first calling, and 60% of said capital on second calling.

As regards the procedure for amending the Bylaws, Article 4.2 c) of Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, establishes that the Bank of Spain shall be responsible for authorising the amendments to the bylaws of credit institutions as set out by regulations.

Hence, Article 10 of Royal Decree 84/2015, of 13 February, implementing Act 10/2014, stipulates that the Bank of Spain shall make a decision within two months following receipt of the request for amendment of the Bylaws and that said request must be accompanied by certified minutes recording the agreement, a report substantiating the proposal drawn up by the board of directors and draft new bylaws, identifying the cited amendments.

Notwithstanding the foregoing, Article 10 of Royal Decree 84/2015 establishes that no prior authorisation from the Bank of Spain is required, though the latter must be notified for the purposes of entry in the Registro de Entidades de Crédito (Spanish register of credit institutions), for amendments with the following purposes:

- Change of the registered office within the national territory.

- Share capital increase.

- Verbatim incorporation into the bylaws of legal or regulatory precepts of a mandatory or prohibitive nature, or for the purpose of complying with legal or administrative decisions.

- Those amendments for which the Bank of Spain, in response to a prior enquiry made by the affected bank, deems that authorisation is not required due to their little relevance.

This communication must be made within 15 working days following the adoption of the by-laws amendment resolution.

Finally, as a significant entity, BBVA is under the direct supervision of the European Central Bank (ECB) in cooperation with the Bank of Spain under the Single Supervisory Mechanism, so the authorisation of the Bank of Spain mentioned above will be submitted to the European Central Bank, prior to its resolution by the Bank of Spain.

B.4 Give details of attendance at General Shareholders' Meetings held during the financial year of this report and the previous two financial years:

	Attendance data				
			% distance voting		
Date of General Meeting	**% physically present**	**% present by proxy**	**Electronic vote**	**Other**	**Total**
15/03/2019	1.77%	38.95%	0.92%	22.79%	64.43%
Of which is floating capital:	1.75%	33.03%	0.92%	22.79%	58.49%
16/03/2018	1.71%	40.47%	0.23%	22.13%	64.54%
Of which is floating capital:	1.62%	34.53%	0.23%	22.13%	58.51%
17/03/2017	1.89%	38.68%	0.19%	22.95%	63.71%
Of which is floating capital:	1.81%	33.07%	0.19%	22.95%	58.02%

B.5 Indicate whether there were any items on the agenda that were not approved by shareholders for any reason, for all meetings that took place in the financial year.

NO

B.6 Indicate if there is any statutory restriction that sets out a minimum number of shares required to attend the General Meeting or vote remotely:

YES

Number of shares required to attend the General Meeting	500
Number of shares required to vote remotely	1

Remarks
Article 23 of the BBVA Bylaws establishes that holders of 500 shares or more may attend ordinary and extraordinary General Shareholders' Meetings, provided that their shares are registered at least five days prior to such a meeting, in the corresponding accounting record, in accordance with the Securities Exchange Act and other applicable provisions. Holders of fewer shares may group together until they have at least that number, and name a representative. However, there is no minimum number of shares required to vote remotely. Pursuant to the provisions of Article 8 of BBVA's Regulations of the General Shareholders' Meeting, shareholders may vote by proxy, by post, electronically or by any other means of remote communication, provided that the voter's identity is duly guaranteed. In terms of the constitution of the General Shareholders' Meeting, shareholders who vote remotely will be counted as present.

B.7 Indicate whether it has been established that certain decisions, other than those set out by law, involving an acquisition, disposal, the allocation of essential assets to another company or a similar corporate transaction, must be submitted to the General Shareholders' Meeting for approval.

NO

B.8 Indicate the address and means of access through the company website to information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

Information on corporate governance and the Company's general meetings can be accessed via the Banco Bilbao Vizcaya Argentaria, S.A. company website, www.bbva.com, in the Shareholders and Investors – Corporate Governance and Remuneration Policy section (https://accionistaseinversores.bbva.com/gobierno-corporativo-y-politica-de-remuneraciones/).

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	15

Remarks
In accordance with the provisions of Article 34, Paragraph 2 of the Bylaws, the General Shareholders' Meeting, held on 15 March 2019, resolved to set the total number of directors on the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. at 15.

C.1.2 Fill in the following table on the board members:

Name or corporate name of the director	Representative	Directorship type	Position on the Board	Date of first appointment	Date of most recent appointment	Election procedure
Carlos Torres Vila	-	Executive	Chairman	04/05/2015	15/03/2019	Resolution of the General Shareholders' Meeting
Onur Genç	-	Executive	Chief Executive Officer	20/12/2018	15/03/2019	Resolution of the General Shareholders' Meeting
Tomás Alfaro Drake	-	Other external	Director	18/03/2006	17/03/2017	Resolution of the General Shareholders' Meeting
José Miguel Andrés Torrecillas	-	Independent	Deputy Chair	13/03/2015	16/03/2018	Resolution of the General Shareholders' Meeting
Jaime Félix Caruana Lacorte	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting
Belén Garijo López	-	Independent	Director	16/03/2012	16/03/2018	Resolution of the General Shareholders' Meeting
José Manuel González-Páramo Martínez-Murillo	-	Executive	Director	29/05/2013	17/03/2017	Resolution of the General Shareholders' Meeting
Sunir Kumar Kapoor	-	Independent	Director	11/03/2016	15/03/2019	Resolution of the General Shareholders' Meeting
Carlos Loring Martínez de Irujo	-	Other external	Director	28/02/2004	17/03/2017	Resolution of the General Shareholders' Meeting
Lourdes Máiz Carro	-	Independent	Director	14/03/2014	17/03/2017	Resolution of the General Shareholders' Meeting
José Maldonado Ramos	-	Other external	Director	28/01/2000	16/03/2018	Resolution of the General Shareholders' Meeting
Ana Cristina Peralta Moreno	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting
Juan Pi Llorens	-	Independent	Lead Director	27/07/2011	16/03/2018	Resolution of the General

						Shareholders' Meeting
Susana Rodríguez Vidarte	-	Other external	Director	28/05/2002	17/03/2017	Resolution of the General Shareholders' Meeting
Jan Paul Marie Francis Verplancke	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting

Total number of directors	15

Indicate any appointment terminations, as a result of resignation, dismissal or any other reason, that have occurred on the Board of Directors during the reporting period:

Name or corporate name of the director	Directorship type at the time of termination	Date of most recent appointment	Termination date	Specialist committees of which the director was a member	Indicate whether the termination occurred before the end of the mandate

Cause of the termination and other remarks

C.1.3 Fill in the following tables on the board members and their directorship type:

EXECUTIVE DIRECTORS

Name or corporate name of the director	Position within the company's organisation structure	Profile
Carlos Torres Vila	Chairman	Chairman of the BBVA Board of Directors. He was Chief Executive Officer of BBVA from May 2015 to December 2018, Head of Digital Banking from 2014 to 2015 and Head of Corporate Development & Strategy from 2008 to 2014. In addition, he previously held positions of responsibility in other companies, such as Chief Financial Officer, Director of Corporate Strategy and member of the Executive Committee of Endesa, as well as partner at McKinsey & Company. He completed his studies in Electrical Engineering (BSc) at the Massachusetts Institute of Technology (MIT), where he also received a degree in Business Administration. He holds a master's degree in Management (MS) from the MIT Sloan School of Management and also a Law degree from the National Distance Education University (UNED).
Onur Genç	Chief Executive Officer	Chief Executive Officer of BBVA. He served as President and CEO of BBVA Compass and BBVA Country Manager in the U.S. from 2017 to December 2018, as

		well as Deputy CEO and Executive Vice President at Garanti BBVA between 2012 and 2017. He has also held positions of responsibility at McKinsey & Company (in the Turkey, Canada, Netherlands and United Kingdom offices), having previously been a Senior Partner and Manager of its Turkish office. He holds a degree in Electrical Engineering (BS) from the University of Boğaziçi in Turkey and a master's degree in Business Administration (MSIA/MBA) from Carnegie Mellon University in the USA.
José Manuel González-Páramo Martínez-Murillo	Head of Global Economics and Public Affairs	Executive Director and Head of Global Economics and Public Affairs of BBVA. He is Chairman for Europe of the Trans-Atlantic Business Council, Chairman of the Fundación Consejo España-Perú, Chairman of European DataWarehouse GmbH and Professor at IESE Business School. He has been a member of various organisations, including the Executive Committee and the Governing Council of the European Central Bank, the Governing Council and the Executive Committee of the Bank of Spain and the Committee on the Global Financial System of the Bank for International Settlements. He has a Ph.D., M.Phil. and M.A. in Economics from Columbia University in New York and a Ph.D. in Economics from the Complutense University of Madrid. He has also been awarded an honorary doctorate by the University of Malaga and is a member of the European Academy of Sciences and Arts and a full member of the Royal Academy of Moral and Political Sciences.

Total number of executive directors	**3**
% of all directors	**20%**

EXTERNAL PROPRIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of the director	Profile
José Miguel Andrés Torrecillas	Deputy Chair of the BBVA Board of Directors. His professional career began at Ernst & Young as General Managing Partner of Audit and Advisory Services and Chairman of Ernst & Young Spain until 2014. He has been a member of various organisations such as the ROAC (Registro Oficial de Auditores de Cuentas – official registry of auditors), the REA (Registro de Economistas Auditores – registry of economic auditors), the Junta Directiva del Instituto Español de Analistas Financieros (Spanish Institute of Financial Analysts Management Board), Fundación Empresa y Sociedad (Business and Society Foundation), Instituto de Censores Jurados de Cuentas de España (Spanish Institute of Chartered Accountants), Consejo Asesor del Instituto de Auditores Internos (Advisory Board of the Institute of Internal Auditors) and the Institute of Chartered Accountants in England & Wales (ICAEW). He holds a degree in Economic and Business Sciences from the Complutense University of Madrid and post-graduate studies in

	Management Programs from IESE, Harvard and IMD.
Jaime Félix Caruana Lacorte	He has been General Manager of the Bank of International Settlements (BIS), Director of the Monetary and Capital Markets Department and Financial Counsellor and General Manager of the International Monetary Fund (IMF), Chairman of the Basel Committee on Banking Supervision, Governor of the Bank of Spain and member of the Governing Council of the European Central Bank, among other positions. He is a member of the Group of Thirty (G-30) and Trustee of the Spanish Aspen Institute Foundation. He holds a degree in Telecommunications Engineering from the Escuela Técnica Superior de Ingenieros de Telecomunicación (ETSIT) of the Universidad Politécnica de Madrid and is a Commercial Technician and State Economist.
Belén Garijo López	She is a member of the Merck Group Executive Board and CEO of Merck Healthcare, a member of the L'Oréal Board of Directors and Chair of the International Senior Executive Committee (ISEC) of Pharmaceutical Research and Manufacturers of America (PhRMA). She has held various positions of responsibility at Abbott Laboratories, Rhône-Poulenc, Aventis Pharma and Sanofi Aventis. She is a graduate in Medicine from the University of Alcalá de Henares in Madrid and a specialist in Clinical Pharmacology at Hospital de la Paz, Autonomous University of Madrid. She also holds a master's degree in Business and Management from the Ashridge Management School (UK).
Sunir Kumar Kapoor	He is involved in a range of technology companies in Silicon Valley and Europe, and is Operating Partner at Atlantic Bridge Capital, independent director at Stratio, director at iQuate Limited and mCloud consultant. He has been Manager of Business Enterprise EMEA for Microsoft Europe and Director of Worldwide Business Strategy for Microsoft Corporation. Among other roles, he was previously Executive Vice President and Chief Marketing Officer of Cassatt Corporation and Chair and CEO of UBmatrix Incorporated. He holds a Bachelor's in Physics from the University of Birmingham and a Master's in Computer Systems from Cranfield Institute of Technology.
Lourdes Máiz Carro	She was Secretary of the Board of Directors and Director of Legal Services at Iberia, Líneas Aéreas de España until April 2016. She has also been a director of several companies, including Renfe, GIF (Gerencia de Infraestructuras Ferroviarias – Railway Infrastructure Administrator, now ADIF), the ICO (Instituto de Crédito Oficial – Official Credit Institution), Aldeasa and Banco Hipotecario. She worked in Research, giving classes in Metaphysics and Theory of Knowledge at the Complutense University of Madrid for five years. She became State Attorney and held various positions of responsibility in Public Administration, including General Director of Administrative Organisation, Job Positions and I.T. (Ministry of Public Administrations), General Director of the Sociedad Estatal de Participaciones Patrimoniales (SEPPA) at the Ministry of Economy and Finance and Technical General Secretariat of the Ministry of Agriculture, Fisheries and Food. She holds degrees in Law and Philosophy and Education Sciences as well as a Ph.D. in Philosophy.
Ana Cristina Peralta Moreno	She is independent director and chair of the Audit and Control Committee at Grenergy Renovables and independent director of Inmobiliaria Colonial, Socimi, S.A.

	She was previously Chief Risk Officer and a member of the Bankinter Management Committee, and Chief Risk Officer and member of the Banco Pastor Management Committee. She has also held various positions in a number of financial entities, notably serving as independent director of Deutsche Bank SAE, as well as Chair of the Audit and Risk Committee and of the Appointments Committee of this company, independent director at Banco Etcheverría, Chair of the Risk Committee and member of the Audit and Regulatory Compliance Committee of this company, independent director of Grupo Lar Holding Residencial, S.A.U. and Grupo Lar Unidad Terciario, S.L.U., and Senior Advisor at Oliver Wyman Financial Services. She is a graduate in Economic and Business Sciences from Complutense University of Madrid. She also has a master's degree in Economic-Financial Management from the Centro de Estudios Financieros (CEF), Program for Management Development (PMD) at Harvard Business School and PADE (Programa de Alta Dirección de Empresas – senior management programme) at IESE.
Juan Pi Llorens	Lead Director of BBVA. He is currently a non-executive director at Oesia Networks, S.L. and Tecnobit, S.L.U. (Grupo Oesía). He has had a professional career at IBM holding various senior positions at a national and international level, including Vice President of Sales at IBM Europe, Vice President of Technology & Systems at IBM Europe and Vice President of the Financial Services Sector in the Growth Markets Units (GMU) in China. He was also Executive Chairman of IBM Spain. He holds a degree in Industrial Engineering from the Universidad Politécnica de Barcelona and completed the PDG (Programa en Dirección General – general management programme) at IESE.
Jan Paul Marie Francis Verplancke	His has been Chief Information Officer (CIO) and Head of Technology and Banking Operations at Standard Chartered Bank, Vice President of Technology and CIO for EMEA at Dell, as well as Vice President and Chief of Architecture and Vice President of Information of the Youth Category at Levi Strauss. He holds a bachelor's degree in Science, specialising in Computer Science, from the Programming Centre of the North Atlantic Treaty Organization (NATO) in Belgium.

Total number of independent directors	**8**
% of all directors	**53.33%**

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for their directorship, or maintains or has maintained over the last financial year a business relationship with the company or any company in its group, whether in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the board with the reasons why it deems that this director can perform their duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered proprietary or independent directors, and detail their relationships with the company, its executives or shareholders:

Name or corporate name of the director	Reasons	Company, executive or shareholder to which related	Profile
Tomás Alfaro Drake	Tomás Alfaro Drake has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	He is Director of Internal Development and Professor of the Finance Department at Universidad Francisco de Vitoria. He has held positions such as Director of the bachelor's degree in Business Management and Administration, of the Diploma in Business Sciences and of the degrees in Marketing and in Business Management and Administration at Universidad Francisco de Vitoria, among others. He holds a bachelor's degree in Engineering from the Higher Technical School of Engineering (ICAI) at the Comillas Pontifical University and a master's degree in Economics and Business Management (MBA) from IESE.
Carlos Loring Martínez de Irujo	Carlos Loring Martínez de Irujo has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	He has been partner and member of the Management Committee of Garrigues law firm, where he performed the roles of Director of Mergers and Acquisitions and of Banking and Capital Markets, and was responsible for advising large listed companies. He holds a Law degree from Complutense University of Madrid.
José Maldonado Ramos	José Maldonado Ramos has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	Over the course of his professional career, he has held the positions of Secretary of the Board of Directors at a number of companies, most notably as Secretary General of Argentaria, before taking up the position of Secretary General of BBVA. He took early retirement as a Bank executive in December 2009. He holds a Law degree from Complutense University of Madrid. In 1978, he became State Attorney.
Susana Rodríguez Vidarte	Susana Rodríguez Vidarte has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	She has been Professor of Strategy at the Faculty of Economics and Business Administration at the University of Deusto and a non-practising member of the Institute of Accounting and Accounts Auditing. She was Dean of the Faculty of Economics and Business Administration at the University of Deusto, Director of the Postgraduate Area and Director of the Instituto Internacional de Dirección de Empresas (INSIDE). She holds a Ph.D. in Economic and Business Sciences from Deusto University.

Total number of other external directors	**4**
% of all directors	**26.67%**

Indicate any changes that may have occurred during the period in the directorship type of each director:

Name or corporate name of the director	Date of change	Previous type	Current type

Remarks

C.1.4 Fill in the following table with information regarding the number of female directors over the last four financial years and their directorship types:

	Number of female directors				% of all directors of each type			
	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2016
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	3	3	2	2	37.5%	37.5%	33.33%	25%
Other external	1	1	1	1	25%	25%	25%	25%
Total:	4	4	3	3	26.67%	26.67%	23.08%	20%

C.1.5 Indicate whether the company has diversity policies for the company's board of directors with regard to issues such as age, gender, disabilities, or professional training and experience. In accordance with the definition given in the Spanish Account Auditing Act, small and medium-sized companies will have to report, at a minimum, the policy that they have agreed in regard to gender diversity.

YES

If yes, please outline these diversity policies, their objectives, their measures, the way in which they have been applied and the results thereof in this financial year. Any specific measures adopted by the board of directors and the appointments committee to attain a balanced and diverse representation of directors must also be indicated.

If the company does have a diversity policy, explain the reason for this.

Outline of the policies, their objectives, their measures, the way in which they have been applied and the results thereof
The composition of the Board of Directors is a key element of BBVA Corporate Governance System. As such, it must help the corporate bodies to adequately perform their management and oversight functions, providing different viewpoints and opinions, fostering debate, analysis and critical review of the proposals submitted for its consideration. Thus, the Board of Directors currently consists of a combination of people with wide experience and knowledge of the financial and banking sector, with directors with experience and knowledge of different matters that are of interest to the Bank and Group (such as auditing, digital business and technology, legal and academic fields or multinational businesses), overall achieving adequate balance and diversity in its composition, allowing for a better operation. For this purpose, the Regulations of the Board of Directors establishes as a general principle that directors must meet the suitability requirements to perform their role and they must therefore display a recognised business and professional reputation, have the adequate knowledge and experience to carry out their duties and be in a position to exercise good governance of the Company. The composition of the Board shall seek

to ensure adequate representation of the under-represented gender, an ample majority of non-executive directors over executive directors and that at least one third of the Board are independent directors.

Similarly, as part of the provisions of the Regulations of the Board of Directors, BBVA has a Policy for the selection, appointment, rotation and diversity of its Board members (the "Selection Policy"), which has been approved by the Board of Directors and contains the principles and the specific procedure for selecting, appointing and rotating the Bank's directors and the requirements for performing the role of BBVA director. The Selection Policy states that the selection, appointment and rotation procedures for the Board of Directors will aim to attain a composition of the Company's corporate bodies that enables the duties assigned by law, Bylaws and its own Regulations to be properly carried out in the best corporate interest.

To this effect, the Selection Policy establishes that the Board of Directors will ensure that these procedures allow to identify the most suitable candidates at all times, based on the needs of the corporate bodies, and that they favour diversity of experience, knowledge, skills and gender, and, in general, do not suffer from implicit biases that may involve any kind of discrimination.

In particular, the Selection Policy states that selection procedures should not entail any discrimination that may hinder the selection of female directors and that, by 2020, the number of female board members will represent, at least, 30% of the total number of members of the Board of Directors.

Additionally, it shall ensure that the composition of the Board of Directors has an appropriate balance between the different categories of board members and that non-executive directors represent an ample majority over executive directors, and that the number of independent directors accounts for, at least, 50% of the total board members.

The candidates to be put forward as BBVA directors must have suitable skills, experience and qualifications, meet the suitability requirements needed to hold the position and possess the required availability and dedication to carry out their duties. They must also be able to comply with the requirements set out in the Regulations of the Board of Directors in terms of suitable performance of director duties, in particular those related to due diligence and loyalty, avoiding conflicts of interest and complying with the required rules for position incompatibility and limitations for BBVA directors.

To ensure a suitable composition of the Board at all times, in accordance with the provisions of the Regulations of the Board and with the Selection Policy, and in order to achieve the targets established in the Selection Policy regarding the needs and the most suitable people to form part of the corporate bodies, the Bank carries out an ordered refreshment process, based on a suitable planned rotation of the Board members, ensuring an appropriate composition of the Board at all times.

This process begins with the periodic analysis, performed by the Appointments and Corporate Governance Committee, of the structure, size and composition of the Board, taking into consideration the required diversity of gender, knowledge, competence and experience, the results of the evaluation of the status of Directors and independent judgement and suitability, and also the dedication that the Bank requires to properly perform the role of director, all in accordance with the needs of the Corporate bodies at the time and taking into account the Selection Policy. This process also facilitates the identification of the Board's existing skills, characteristics, experience and diversity, and the areas that need to be improved in the future to ensure that the Board as a whole possesses the knowledge, skills and experience required to enable its proper composition and operation.

Continued in section H of this Report.

C.1.6 Explain any measures that have been agreed by the Appointments Committee to ensure that the selection procedures are free from implicit biases that could hinder the selection of female directors, and to ensure that the company includes and makes a conscious effort to find potential female candidates who match the professional profile, in order to achieve a balanced representation of men and women:

Explanation of the measures
As of the date of this report, four women sit on the BBVA Board of Directors, making up 26.67% of the Board, and they are also members of five of the Board committees. The Audit Committee and the Remunerations Committee include a majority of women, and the latter is chaired by a women. The General Shareholders' Meeting is responsible for appointing members of the Board of Directors in accordance with Article 30.b) of the Bylaws and Article 2 of the Regulations of the Board; however, if a seat falls vacant, the Board has the authority to co-opt members. The role of the Appointments and Corporate Governance Committee is to assist the Board of Directors in matters relating to the selection and appointment of directors and, in particular, to submit to the Board of Directors proposals for the appointment, re-appointment or removal of independent directors and to report on proposals for the appointment, re-appointment or removal of all other directors. To this end, Article 5 of the Regulations of the Appointments and Corporate Governance Committee states that the Committee will assess the balance of knowledge, skills and experience of the Board of Directors, the conditions candidates must satisfy to fill any vacancies that arise, and the time commitment considered necessary to enable them to adequately carry out their duties, according to the needs of the corporate bodies at any given time. The Committee will ensure that selection procedures are not implicitly biased in such a way that may entail any kind of discrimination and, in particular, that may hinder the selection of directors of the underrepresented gender, endeavouring that directors of said gender who display the professional profile sought are included amongst potential candidates. Furthermore, BBVA has established a Selection Policy that states that the procedures for the selection, appointment and rotation of the Board of Directors must aim to achieve a composition of the Bank's corporate bodies that enables the latter to properly perform the duties assigned to them by the law, the Company Bylaws and their own Regulations, in the best corporate interest. To this effect, the Board of Directors will ensure that these procedures enable the identification of the most suitable candidates at any given time based on the requirements of the corporate bodies, that they promote diversity of experience, knowledge, skills and gender and, in general, that they are free from implicit biases that could result in any kind of discrimination. In particular, the Selection Policy states that selection procedures should not entail any discrimination that may hinder the selection of female directors and that, by 2020, the number of female board members should represent, at least, 30% of the total number of members of the Board of Directors. Additionally, it shall ensure that the composition of the Board of Directors has an appropriate balance between the different categories of board members and that non-executive directors represent an ample majority over executive directors. In addition, to ensure the proper composition and operation of the Board of Directors as a whole at all times, its structure, size and composition will be analysed regularly, as well as its existing skills, knowledge, experience and diversity and the areas that need to be improved in the future. For these purposes, the relevant procedures are in place to identify and select the candidates that may, if required, be proposed as new members of the Board of Directors, when considered necessary or appropriate. This analysis process also considers the composition of the different Board committees that assist this corporate body in the performance of its duties and that constitute an essential element of the BBVA Corporate Governance System. In carrying out the above-mentioned selection processes, the Appointments and Corporate Governance Committee relies on the support of prestigious consultants to select independent directors internationally. These consultants carry out an independent search for potential candidates that meet the profile defined in each case by the Committee. During these processes, the external expert is expressly requested to include women with suitable profiles among the candidates to be submitted, and the Committee analyses the personal and professional profiles

of all candidates presented on the basis of the information provided by the external independent expert, in light of the needs of the Bank's corporate bodies at any given time. For these purposes, it assesses the skills, knowledge and experience required to be a director of the Bank and takes into account both the rules on incompatibilities and conflicts of interest and the commitment deemed necessary to carry out the relevant duties.

Continued in section H of this Report.

When, despite the measures taken, there are few or no female directors, explain the reasons:

C.1.7 Explain the conclusions of the appointments committee regarding the verification of compliance with the board member selection policy. In particular, explain how this policy is promoting the objective of having female directors represent at least 30% of the total number of board members by 2020.

Over the course of the financial year, the Appointments and Corporate Governance Committee has continuously analysed the structure, size and composition of the Board of Directors and the principles and targets established in the Selection Policy (as previously detailed in sections C.1.5 and C.1.6) on the basis of the needs of the corporate bodies at any given time, the reality of the Group's structure and businesses and the regulatory requirements and market best practices.

With regard to the suitability requirements to perform the duties of a director, specifically the requirements for recognised business and professional reputation, adequate knowledge and experience and the ability to exercise good governance of the Company (all of which are set out in the Selection Policy), the Appointments and Corporate Governance Committee considered that the composition of the Board of Directors, as a whole, is suitably balanced and that the Board has sufficient knowledge of the environment, activities, strategies and risks of the Bank and the Group, which helps to improve its operation.

Furthermore, it has assessed that the Bank's directors have the necessary reputation to fulfil their roles, the required skills, and sufficient availability to enable them to dedicate the time required to perform the duties assigned to them.

Regarding the selection, appointment and rotation procedures for the Board of Directors, which aim to ensure that the composition of the corporate bodies allows them to properly carry out the duties assigned to them in the best corporate interest, the Committee deemed it appropriate, throughout the financial year, to continue the continuous refreshment process of the Board of Directors. This process aims to ensure that the Board includes directors with experience and knowledge of the financial and banking sector and of the Group's culture and businesses, gradually including people with different professional profiles and experience to improve the diversity of its corporate bodies.

The Committee therefore endeavours to ensure that the selection, appointment and rotation procedures identify the most suitable candidates at any given time based on the needs of the corporate bodies, that they promote diversity of experience, knowledge, skills and gender and, in general, that they are free from implicit biases that could result any kind of discrimination. For these purposes, it has worked with a leading international independent consultancy firm to help select directors.

The Committee also encourages the recruitment of new Board members that enable to fulfil or maintain the targets set out in the Selection Policy, while ensuring that the selection processes are carried out to the highest degree of professionalism and independence.

As a result of the above, prior to submitting the corresponding proposals for the appointment and re-election of directors to the 2019 General Shareholders' Meeting, the Committee also analysed and took into consideration the Selection Policy requirements that endeavour that the number of female directors represent at least 30% of the total number of Board members by 2020, that non-executive directors represent a majority over executive directors, and that the number of independent directors account for at least 50% of all directors. It also took into account its analysis of the structure, size and composition of the Board, including its assessment of the Board's existing knowledge, experience and diversity and of those areas that need to be improved in the future to ensure the proper composition and operation of the Board as a whole.

Thus, following the resolutions approved by the 2019 General Shareholders' Meeting, the number of female directors remained a total of 4, which equals 26.67% of all directors (15) and is close to the 2020 target of at least 30% set by the Selection Policy. Non-executive directors represent a clear majority on the Board (80%) and the number of independent directors remains at least 50% of the total, in line with the provisions set out in the aforementioned Selection Policy.

Similarly, for the purposes of the proposals for the appointment and re-election of directors that will be submitted to the 2020 General Shareholders' Meeting, and in the framework of the refreshment process of the Board that led to 2019 selection process, the Committee has analysed the size, structure and composition of the Board, and concluded that BBVA's corporate bodies maintain a structure, size and composition that meet their needs, enable best performance of their functions and, as in recent financial years, ensure that non-executive directors represent a majority on the Board and that at least half of its directors are independent directors, in line with the Regulations of the Board of Directors and the Selection Policy.

Continued in section H of this Report.

C.1.8 Where applicable, explain why proprietary directors have been appointed at the behest of shareholders whose holding is less than 3% of the capital:

Name or corporate name of the shareholder	Justification

Indicate whether formal petitions for a seat on the Board have been denied if such request has come from shareholders whose holding is equal to or greater than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions were not granted:

NO

C.1.9 Where applicable, indicate the powers and faculties delegated by the Board of Directors to directors or to board committees:

Name or corporate name of the director or committee	Brief description
Carlos Torres Vila	Holds wide-ranging powers of representation and administration in line with his duties as Chairman of the Company.
Onur Genç	Holds wide-ranging powers of representation and administration in line with his duties as Chief Executive Officer of the Company.
José Manuel González-Páramo Martínez-Murillo	Holds powers of representation and administration in line with his duties as Head of Global Economics & Public Affairs.
Executive Committee	Pursuant to Article 30 of BBVA's Regulations of the Board of Directors and Article 1.2 of the Regulations of the Executive Committee, the Executive Committee will deal with those matters of the Board of Directors that the Board agrees to delegate to it, in accordance with the law, the Bylaws, the Regulations of the Board of Directors or the Regulations of the Executive Committee.

C.1.10 Where applicable, identify any members of the Board who hold positions as directors, representatives of directors or executives in other companies that belong to the same group as the listed Company:

Name or corporate name of the director	Corporate name of the group's entity	Position	Does the director have executive duties?
Carlos Torres Vila	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer	Director	No
Carlos Torres Vila	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director	No
Onur Genç	BBVA USA Bancshares, Inc.	Director	No
Onur Genç	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer	Director	No
Onur Genç	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director	No

C.1.11 Where applicable, provide details of any Company directors (or representatives of corporate directors) who also serve as directors (or representatives of corporate directors) on the boards of other entities that are listed on a regulated stock market and do not form part of the Company Group, of which the company has been informed:

Name or corporate name of the director	Corporate name of the listed entity	Position
José Miguel Andrés Torrecillas	Zardoya Otis, S.A.	Director
Belén Garijo López	L'Oréal Société Anonyme	Director
Ana Cristina Peralta Moreno	Grenergy Renovables, S.A.	Director
Ana Cristina Peralta Moreno	Inmobiliaria Colonial, SOCIMI S.A.	Director
Juan Pi Llorens	Ecolumber, S,A.	Chairman

C.1.12 Indicate and, where applicable, explain whether the Company has any agreed rules on the maximum number of company boards on which its directors may sit, detailing where such rules have been set out:

YES

Explanation of the rules and where they are set out
Article 11 of the Regulations of the Board of Directors provides that, in the performance of their duties, directors will be subject to the rules on limitations and incompatibilities established under the current applicable regulations, and in particular, to the provisions of Act 10/2014 on the regulation, supervision and solvency of credit institutions. Article 26 of Act 10/2014 stipulates that the directors of credit institutions may not simultaneously hold more positions than those provided for in the following combinations: (i) one executive position and two non-executive positions; or (ii) four non-executive positions. Executive positions are understood to be those that undertake management duties irrespective of the legal bond attributed by those duties. The following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within (i) entities that form part of the same institutional protection

scheme or (ii) trading companies in which the entity holds a significant shareholding. Positions held in non-profit organisations or entities or companies pursuing non-commercial purposes will not count when determining the maximum number of positions. Nevertheless, the Bank of Spain may authorise members of the Board of Directors to hold an additional non-executive position if it deems that this would not interfere with the proper performance of the director's activities in the credit institution.

In addition, pursuant to the provisions of Article 11 of BBVA's Regulations of the Board of Directors, directors may not:

- Provide professional services to companies competing with the Bank or any of its Group companies, or agree to be an employee, manager or director of such companies, unless they have received express prior authorisation from the Board of Directors or from the General Shareholders' Meeting, as appropriate, or unless these activities had been provided or conducted before the director joined the Bank, they had posed no effective competition and they had informed the Bank of such at that time.

- Have direct or indirect shareholdings in businesses or companies in which the Bank or its Group companies hold an interest, unless such shareholding was held prior to joining the Board of Directors or to the time when the Group acquired its holding in such businesses or companies, or unless such companies are listed on national or international securities markets, or unless authorised to do so by the Board of Directors.

- Hold political positions or perform any other activities that might have public significance or may affect the Company's image in any way, unless this is with prior authorisation from the Bank's Board of Directors.

C.1.13 Indicate the amounts of the following items relating to the total remuneration of the board of directors:

Remuneration of the Board of Directors accrued during the financial year (thousands of euro)	15.467
Amount of entitlements accrued by current directors in regard to pensions (thousands of euro)	22.986
Amount of entitlements accrued by former directors in regard to pensions (thousands of euro)	72.444

Remarks
The remuneration included under "Remuneration of the Board of Directors accrued during the financial year" includes the fixed remunerations awarded to all Board members in 2019, as well as the upfront part of the Annual Variable Remuneration for 2019 for executive directors, in cash and shares, and the deferred part of the Annual Variable Remuneration for 2016 for executive directors, in cash and shares, together with its update, whose amounts have been determined in 2020 and will be paid, if conditions are met in the first quarter of 2020.

C.1.14 Identify the members of senior management who are not also executive directors, and indicate the total remuneration accrued to them throughout the financial year:

Name or corporate name	Position(s)
María Luisa Gómez Bravo	Global Head of Corporate & Investment Banking
Jorge Sáenz-Azcúnaga Carranza	Country Monitoring
Pello Xabier Belausteguigoitia Mateache	Country Manager Spain
Eduardo Osuna	Country Manager Mexico

David Puente Vicente	Global Head of Client Solutions
Jaime Sáenz de Tejada Pulido	Global Head of Finance
Rafael Salinas Martínez de Lecea	Global Head of Global Risk Management
Ricardo Forcano García	Global Head of Engineering & Organization
Carlos Casas Moreno	Global Head of Talent & Culture
Ricardo Martín Manjón	Global Head of Data
Victoria del Castillo Marchese	Global Head of Strategy & M&A
María Jesús Arribas de Paz	Global Head of Legal
Domingo Armengol Calvo	General Secretary
Ana Fernández Manrique	Global Head of Regulation and Internal Control
Joaquín Manuel Gortari Díez	Global Head of Internal Audit

Total remuneration of senior management (thousands of euro)	19.508

C.1.15 Indicate whether there have been any amendments to the Regulations of the Board during the financial year:

Yes

Description of the amendments
The Board of Directors, at its meeting held on 29 April 2019, approved a new consolidated text of the Regulations of the Board, with the following major amendments: (i) the reorganisation of the functions of the Board of Directors into five blocks, relating to: (a) the policies and strategy of the Company and its Group, and its corporate and governance structure; (b) the organisation and operation of the Board and its delegated and advisory bodies; (c) directors, senior managers and employees; (d) financial statements, annual financial statements and information to be provided by the Bank; and (e) other general responsibilities, such as the approval of operations, the monitoring of adopted resolutions and the supervision and control of the Company (Article 17); (ii) the formalisation of the separation between the duties of the Group Executive Chairman and those of the Chief Executive Officer, more clearly determining the duties that correspond to each and expressly defining their respective areas of responsibility and the reporting carried out by each head of area to each of them (Articles 18 and 20); (iii) a revision of the duties of the Lead Director, establishing, inter alia, the requirement for the Lead Director to be aware of the annual meeting schedule and the agenda proposals for Board meetings before they are called, and to periodically report to the Board on their activity, their term of office and the procedure for appointment to their role (Article 21); (iv) the creation of the position of Deputy Chair of the Board of Directors, in line with the provisions of the Bylaws (Article 19); (v) improvements in the operation of the corporate bodies, such as the reinforcement of the report on the committees' activity to the Board and greater coordination between the corporate bodies; (vi) changes to the regulations of the Board committees, in accordance with the redrafted Regulations of each committee, as described in section C.2.3 of this report; and (vii) the inclusion that non-executive directors may hold coordination and follow-up meetings, convened and led by the Lead Director (Article 37).

C.1.16 Indicate the procedures for the selection, appointment, re-appointment and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria to be used in each procedure.

Selection, appointment and re-appointment procedure:

In accordance with the Policy on the selection, appointment, rotation and diversity of the members of the Board (the "Selection Policy"), described in sections C.1.5 and C.1.6 above, and with the provisions of the Regulations of the Board of Directors, the General Shareholders' Meeting is responsible for appointing the members of the Board, without prejudice to the Board's authority to co-opt members if a seat falls vacant. This is carried out based on the proposal submitted by the Appointments and Corporate Governance Committee with regard to independent directors and subject to a prior report by said committee in the case of other directors.

In all cases, the proposal must be accompanied by an explanatory report drawn up by the Board of Directors detailing the skills, experience and merits of the candidate proposed, which will be added to the minutes of the General Shareholders' Meeting or the Board of Directors meeting.

If the proposal concerns the re-election of a director, the resolutions and deliberations of the Board of Directors will be carried out without the participation of the director whose re-election is being proposed, and this director shall also leave the meeting if in attendance.

In any event, the persons proposed for appointment as directors must meet the requirements set out in the current legislation, in the specific regulations applicable to credit institutions and in the Bank's internal regulations. In particular, directors must meet the suitability requirements needed to hold the position and must have recognised business and professional reputation, have the adequate knowledge and experience to carry out their duties and be in a position to exercise good governance of the Company.

In addition, the Board of Directors will ensure that the procedures for the selection of directors favour diversity within its membership and, in general, do not suffer from implicit biases that may imply any discrimination. It will also submit its proposals to the General Shareholders' Meeting, seeking to ensure adequate representation of the underrepresented gender and that, in its composition, there is an ample majority of non-executive directors over executive directors and that at least one third of the Board are independent directors. In this regard, the Selection Policy specifies that it shall ensure that the independent directors make up at least 50% of the total number of directors.

To this end, and as detailed in sections C.1.15 and C.1.6, the Appointments and Corporate Governance Committee will assess the balance of knowledge, skills and experience of the Board of Directors to ensure that its composition allows an adequate performance of its functions. It will also assess the conditions that candidates must satisfy to fill any vacancies that arise, and the time commitment considered necessary to enable them to adequately perform their role, according to the needs of the Company's corporate bodies at any given time. The Committee will ensure that selection procedures are not implicitly biased in such a way that may entail any kind of discrimination and, in particular, that may hinder the selection of directors of the underrepresented gender, endeavouring that directors of said gender who display the professional profile sought are included amongst potential candidates.

Duration of mandate and termination:

The directors will hold their position for the term set out in the company Bylaws (three years, after which they may be re-elected one or more times for an additional three-year term) or, if they have been co-opted, until the first General Shareholders' Meeting has been held. They will resign from their positions when the term for which they were appointed expires, unless they are re-elected.

Directors must also inform the Board of Directors of any circumstances affecting them that could harm the company's standing and reputation, and any circumstances that may have an impact on their suitability for their role. Directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office or not. Should the Board decide against their continuity, they are required to tender their resignation, in the circumstances listed in section C.1.19 below.

In any event, directors will resign from their positions upon reaching 75 years of age and must submit their resignation at the first meeting of the Bank's Board of Directors held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.17 Explain the extent to which the annual evaluation of the Board has led to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of the amendments
Article 17 of the Regulations of the Board of Directors states that the Board will assess the quality and efficiency of the operation of the Board of Directors, based on the report submitted by the Appointments and Corporate Governance Committee. This procedure was followed in the 2019 financial year, and, as in previous years, several measures were implemented as a result, which are described below, and which form part of the ongoing process of developing and adapting BBVA's Corporate Governance System to the needs of the corporate bodies, to the environment in which it carries out its activities and to regulatory requirements and best practices. The BBVA Board of Directors carried out the self-assessment process for 2019 following a comprehensive review of the effectiveness of the Corporate Governance System, in order to strengthen its operation and efficiency. This review took into consideration, as a starting point, the self-assessment process carried out in 2018, as well as an analysis of the Bank's corporate governance structures performed by an independent expert at the end of 2018. As a result, during 2019, the corporate bodies defined and led the implementation of several improvements in the Corporate Governance System, which were reflected in the new regulations for the Board and its committees, approved in April 2019 and whose main changes are described in sections C.1.15 and C.2.3 of this report, in addition to other improvements in the operation and organisation of the corporate bodies; all of which mainly include the following measures: (i) the reinforcement of the structure of checks and balances, in particular, the progress made in the separation between the duties of the Group Executive Chairman and those of the Chief Executive Officer, eliminating the reporting line from the Chief Executive Officer to the Chairman; as well as the revision of the duties of the Lead Director and the appointment of a Deputy Chair of the Board; (ii) the redistribution of the functions of the Board committees and the enhancement of the periodic report on the activities of the committees to the Board of Directors; (iii) greater interaction between the corporate bodies regarding the decision-making process and the exercise of their oversight and control functions; and (iv) greater independence for the internal control functions, now under the direct authority of the Board of Directors.

Identify the evaluated areas and describe the evaluation process conducted by the Board of Directors (assisted, where applicable, by an external consultant) to assess the operation and composition of the Board, its committees and any other area or aspect that was evaluated.

Description of the evaluation process and the areas evaluated
In accordance with Article 17 of the Regulations of the Board of Directors, the Board assesses the quality and effectiveness of the operation of the Board of Directors, as well as the performance of the duties of the Chairman of the Board, based in each case on the report submitted by the Appointments and Corporate Governance Committee. The Board of Directors also assesses the performance of the Chief Executive Officer, based on the report submitted by the Appointments and Corporate Governance Committee, which will

include the assessment made by the Executive Committee. Finally, the Board of Directors also assesses the operation of its committees, based on the reports submitted thereby.

The assessment process carried out in relation to the 2019 financial year consisted of a comprehensive analysis and evaluation of the quality and efficiency of the operation of the corporate bodies and the performance of the Chairman and the Chief Executive Officer. This assessment was carried out by the Appointments and Corporate Governance Committee, taking into account several aspects, such as the analysis of the Bank's corporate governance structures performed by an independent expert at the end of the 2018 financial year, the Board's self-assessment for 2018, the directors' view of the operation of the Board, as well as the different reports described below.

In the framework of the foregoing, the Board of Directors has assessed: (i) the quality and efficiency of the operation of the Board of Directors; (ii) the performance of the duties of the Chairman and the Chief Executive Officer; and (iii) the operation of the Board committees; as detailed below.

- The Board of Directors analysed the quality and efficiency of its operation during the 2019 financial year, on the basis of the report submitted by the Appointments and Corporate Governance Committee on the quality and efficiency of the Board's operation and on its structure, size and composition. This report contained a detailed analysis of the following: the structure, size and composition of the Board of Directors, including the diversity of knowledge, skills, experience and gender required of its members; the organisation, preparation and conduct of the meetings of the Board; the independence and suitability of directors, and the degree of commitment the Bank requires of Board members (in particular, the chair of each of the committees) to ensure the proper performance of the duties of director and the proper operation of the corporate bodies; taking into account the needs of the corporate bodies at any given time and the Selection Policy.

- The performance assessment of the duties of the Chairman of the Board of Directors, led by the Lead Director in accordance with Article 21 of the Regulations of the Board, was carried out by the Board on the basis of the report submitted by the Appointments and Corporate Governance Committee, in accordance with Article 5 of the Regulations of the Appointments and Corporate Governance Committee, which details the key features of the Chairman's performance in 2019.

- The performance assessment of the duties of the Chief Executive Officer was carried out by the Board on the basis of the report submitted by the Appointments and Corporate Governance Committee, including the assessment carried out in this respect by the Executive Committee, in accordance with Article 17 of the Regulations of the Board, which details the key features of the Chief Executive Officer's performance in 2019.

The Board has also assessed the quality and efficiency of the operation of the Executive Committee, and of the Audit Committee, the Risk and Compliance Committee, the Appointments and Corporate Governance Committee, the Remunerations Committee and the Technology and Cybersecurity Committee, on the basis of reports submitted by their respective Chairs.

Continued in section H of this Report.

C.1.18 For those financial years in which an external consultant provided assistance for the evaluation, provide details of any ongoing business relationships that the consultant or any entity in their group maintains with this Company or any company in this Group.

The assessment carried out by the Board of Directors in 2019 regarding its quality and operation, its committees and the performance of the duties of the Chairman of the Board and the Chief Executive Officer took into account the analysis of the Bank's corporate governance structures performed by an independent expert at the end of the 2018 financial year; without any knowledge of significant business relationships between the Company and the external independent expert or any other company of its group.

C.1.19 Indicate the circumstances under which directors are obliged to resign.

In addition to the circumstances established in applicable law, directors will cease to hold office when the term for which they were appointed has expired, unless they are re-elected.

Accordingly, as set forth in Article 12 of the Regulations of the Board of Directors, directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office or not. Should the Board decide against their continuity, they are required to tender their resignation in the following circumstances:

- If they find themselves in circumstances deemed incompatible or prohibited under current legislation, in the Bylaws or in the Regulations of the Board of Directors.
- When significant changes occur in their personal or professional situation that affect the status by virtue of which they were appointed as directors.
- In the event of serious breach of their duties in the performance of their role as directors;
- When, for reasons attributable to the directors in their status as such, serious damage has been done to the Company's equity, standing or reputation; or
- When they are no longer suitable to hold the status of director of the Bank.

C.1.20 Are supermajorities, other than those provided for in law, required for any type of decision?

NO

Where applicable, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those relating to directors, to be appointed Chairman of the Board of Directors.

NO

C.1.22 Indicate whether the Bylaws or Regulations of the Board establish an age limit for directors:

YES

Age limit for the Chairman	Age limit for the Chief Executive Officer	Age limit for the directors
0	0	75

Remarks
As stipulated in Article 4 of the BBVA Regulations of the Board of Directors, directors will resign from their position, in any event, upon reaching 75 years of age, and must submit their resignation at the first meeting of the Bank's Board of Directors held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.23 Indicate whether the Bylaws or Regulations of the Board of Directors establish a limited mandate or other stricter requirements for independent directors in addition to those provided for in law:

NO

C.1.24 Indicate whether the Bylaws or the Regulations of the Board of Directors establish specific rules for proxy voting within the Board of Directors, how this is carried out and, in particular, the maximum number of proxies that a director may have and whether there are any restrictions as to what categories may be appointed as a proxy, beyond the limitations provided for in law. Where applicable, provide a brief description of these rules.

Article 5 of the BBVA Regulations of the Board of Directors establishes that directors are required to attend meetings of the corporate bodies on which they sit, except for a justifiable reason, and to participate in the deliberations, discussions and debates held on matters submitted for their consideration. Directors should personally attend the meetings that are held. Notwithstanding the foregoing, as set forth in Article 26 of the Regulations of the Board of Directors, should it not be possible for a director to attend any of the meetings of the Board of Directors, he or she may grant proxy to another director to represent and vote on his or her behalf, through a letter or email sent to the Company with the information required for the proxy director to be able to follow the absent director's instructions. Applicable legislation states, however, that non-executive directors may only grant proxy to another non-executive director. The same applies to attendance at meetings of Board committees.

C.1.25 Indicate the number of meetings that the Board of Directors has held during the financial year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. The Chairman will be considered to have been in attendance if represented by a proxy provided with specific instructions.

Number of Board meetings	**14**
Number of Board meetings without the Chairman in attendance	**0**

Indicate how many meetings were held by the Lead Director with the other Board members, without any executive director in attendance or represented:

Number of meetings	**64**

Remarks
BBVA's Board of Directors has a Lead Director who performs the duties set forth in the applicable legislation, as well as those stipulated by Article 21 of the Regulations of the Board of Directors. In the performance of the functions assigned to this position, during the financial year, the Lead Director maintained ongoing contact, held meetings and had conversations with other Bank directors in order to seek their opinions on the corporate governance and operation of the Bank's corporate bodies. In addition, in accordance with Article 37 of the Regulations of the Board, the Lead Director coordinated various meetings of non-executive directors, which were held after each meeting of the Board of Directors. Likewise, the Lead Director also serves, as of the date of this report, as Chair of the Risk and Compliance Committee and sits on the Appointments and Corporate Governance Committee, both of which are composed of non-executive directors and have a majority of independent directors. These positions additionally allowed the Lead Director, in the course of his duties, to meet regularly with the Bank's non-executive directors on the occasion of these meetings, which are added to the aforementioned meetings, enabling the Lead Director to perform the duties. José Miguel Andrés Torrecillas, who held the position of Lead Director until 29 April 2019, also held periodic meetings and had conversations with other non-executive directors; however these meetings have not been included in the number provided in this Section

Indicate how many meetings of the Board Committees were held during the financial year:

Number of meetings of the Executive Committee	**18**
Number of meetings of the Audit Committee	**15**

Number of meetings of the Appointments and Corporate Governance Committee	**8**
Number of meetings of the Remunerations Committee	**7**
Number of meetings of the Risk and Compliance Committee	**21**
Number of meetings of the Technology and Cybersecurity Committee	**6**

C.1.26 Indicate how many meetings were held by the Board of Directors during the financial year and provide details on the attendance of its members:

Number of meetings attended by at least 80% of the directors	**14**
% of in-person attendance of the total number of votes cast during the financial year	**100%**
Number of meetings where all directors, or proxies granted with specific instructions, attended in person	**14**
% of votes cast, with directors attending in person and with proxies granted with specific instructions, of the total number of votes cast throughout the financial year	**100%**

Remarks
The Board of Directors holds meetings on a monthly basis, in accordance with the annual calendar of ordinary meetings drawn up before the beginning of the financial year, and holds extraordinary meetings as often as deemed necessary. The Board of Directors held 14 meetings during the 2019 financial year. All directors attended all of the Board's meetings.

C.1.27 Indicate whether the individual or consolidated annual financial statements that are presented to the Board for approval are certified beforehand:

NO

Where appropriate, identify the person(s) who has/have certified the company's individual and consolidated annual financial statements prior to Board approval:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated statements from being presented at the General Shareholders' Meeting with a qualified auditors' report.

Article 32 of the Regulations of the Board of Directors specifies that the Audit Committee, composed exclusively of independent directors, shall assist the Board of Directors in overseeing the preparation of the financial statements and public information, and the relationship with the external auditor and the Internal Audit function.

In this regard, in accordance with Article 5 of the Regulations of the Audit Committee, the duties of this Committee include: oversee the effectiveness of the Company's internal control and risk management systems in the preparation and reporting of financial information, including fiscal risks; discussing with the auditor any significant weaknesses in the internal control system detected during the audit, without undermining its independence; and overseeing the preparation and reporting of financial information and submitting recommendations or proposals to the Board of Directors aimed at safeguarding the integrity thereof.

Moreover, said Article of the Regulations of the Audit Committee establishes that the Committee will verify, with the appropriate frequency, that the external audit program is being carried out in accordance with the contract conditions and is thereby meeting the requirements of the competent official authorities and the corporate bodies. The Committee will also periodically—at least once per year—request from the auditor an evaluation of the quality of the internal control procedures regarding the preparation and reporting of the Group's financial information.

The Committee will also be apprised of any infringements, situations requiring adjustments or anomalies that may be detected during the course of the external audit, provided that these are relevant, i.e. those that, in isolation or as a whole, may cause significant and substantive harm to the Group's equity, earnings or reputation. Discernment of such matters will be at the discretion of the external auditor, who, if in doubt, must opt to report on them.

In the performance of these duties, the Audit Committee maintains direct and ongoing contact with the external auditors through monthly meetings, without the attendance of the Bank's executives. At these meetings, the auditors provide detailed information on their work and the results thereof, which enables the Committee to continuously monitor said work, ensuring that it is performed under optimal conditions and without interference from management.

C.1.29 Is the Secretary of the Board a director?

NO

If the Secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
Domingo Armengol Calvo	-

C.1.30 Indicate the specific mechanisms established by the Company to preserve the independence of the external auditors, and, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how legal measures have been implemented in practice.

As set forth in the Regulations of the Audit Committee, one of the Committee's functions, described in section C.2.1, is to ensure the independence of the auditor through a dual approach:

- Avoiding that the auditor's warnings, opinions or recommendations may be adversely influenced. To this end, the Committee must ensure that compensation for the auditor's work does not compromise either its quality or independence, in compliance with the account auditing legislation in force at any given moment.

- Establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, agreement by the Committee will be required, and this decision may be delegated in advance to its Chair. The auditor will be prohibited from providing unauthorised services outside the scope of the audit, in compliance with the auditing legislation in force at any given moment.

This matter is carefully considered by the Audit Committee, which holds meetings with the auditor's representatives at each of the monthly meetings held, without Bank executives in attendance, to gain a detailed understanding of any issues that may hinder the audit process, the progress and quality of the work carried out, and to confirm independence in the performance of its work. The Committee also continuously oversees the engagement of additional services to ensure compliance with the Regulations of the Audit Committee and with applicable legislation and thus the independence of the auditor, in accordance with the Bank's internal procedure.

Moreover, in accordance with the provisions of point f), section 4 of Article 529 quaterdecies of the Spanish Corporate Enterprises Act and Article 5 of the Regulations of the Audit Committee, each year before the audit report is issued, the Committee must issue a report expressing its opinion on whether or not the independence of the auditor has been compromised. This report must, in all cases, contain a reasoned assessment of the provision of each and every kind of additional service provided to the Group companies, considered individually and collectively, different from the legal audit and relating to independence or the regulations on audit activity. Each year, the auditor must issue a report confirming its independence via-à-vis BBVA or entities linked to BBVA, either directly or indirectly, with detailed and itemised information on any kind of additional services provided to these entities by the external auditor, or by the individuals or entities linked to it, as set out in the consolidated text of the Spanish Account Auditing Act.

The relevant auditor and Audit Committee reports confirming the auditor's independence were issued for the 2019 financial year, in compliance with the legislation in force. The Audit Committee report confirming the independence of the auditor is available on the BBVA corporate website.

In addition, as BBVA's shares are listed on the New York Stock Exchange, it is subject to compliance with the Sarbanes Oxley Act and its implementing regulations.

The Board of Directors also has a policy in place for communication and contact with shareholders and investors. The policy is governed by the principle of equal treatment for all shareholders and investors who are in the same position in terms of information, participation and the exercise of their rights as shareholders and investors, inter alia.

This policy also contains the principles and channels established in relation to shareholders and investors, which govern, where applicable, BBVA relations with other stakeholders, such as financial analysts, management companies and custodians for the Bank shares, and proxy advisors, among others.

C.1.31 Indicate whether the Company has changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

NO

If there were any disagreements with the outgoing auditor, explain these disagreements:

NO

C.1.32 Indicate whether the auditing firm does any other work for the Company and/or its Group other than the audit. If so, declare the amount of fees received for such work and the percentage that these fees represent of the total fees billed to the Company and/or its Group:

YES

	Company	**Group companies**	**Total**
Amount of non-audit work (thousands of euro)	3	284	287
Amount of non-audit work/total amount billed by the auditing firm (%)	0.02%	1.68%	0.96%

C.1.33 Indicate whether the audit report of the annual financial statements for the previous financial year contained reservations or qualifications. If so, indicate the reasons given by the Chair of the Audit Committee to the shareholders at the general meeting to explain the content and scope of such reservations or qualifications.

NO

C.1.34 Indicate the number of consecutive financial years during which the current audit firm has been auditing the annual financial statements for the Company and/or its Group. Likewise, indicate the total number of financial years audited by the current audit firm as a percentage of the total number of years in which the annual financial statements have been audited:

	Individual	Consolidated
Number of consecutive financial years	3	3
Number of financial years audited by the current audit firm/number of financial years the Company or its Group have been audited (%)	15.79%	15.79%

C.1.35 Indicate whether there is a procedure in place (and provide details, where applicable) whereby directors are provided with the information they need with sufficient time to be able to prepare for meetings of the management bodies:

YES

Details of the procedure
As set forth in Article 5 of the Regulations of the Board of Directors, directors will be provided in advance with the information needed to form an opinion with respect to the matters within the remit of the Bank's corporate bodies, and may ask for any additional information and advice required to perform their duties. They may also request the Board of Directors for external expert assistance for any matters submitted to their consideration whose special complexity or importance so requires. These rights will be exercised through the Chairman or Secretary of the Board of Directors, who will attend to requests by providing the information directly or by establishing suitable arrangements within the organisation for this purpose, unless a specific procedure has been established in the regulations governing the Board of Directors' committees. Furthermore, as set forth in Article 28 of the Regulations of the Board of Directors, the directors will be provided with such information or clarifications as deemed necessary or appropriate with regards to the matters to be discussed at the meeting, either before or during the progress thereof. In addition, BBVA has an information model that ensures that decisions are made on the basis of complete, comprehensive, appropriate and consistent information, prepared in accordance with common principles so that analyses carried out by the corporate bodies are based on the correct data, thus allowing directors to better perform their duties. Thus, the Bank's corporate bodies have a procedure in place for verifying the information submitted for consideration, coordinated by the Board's General Secretariat with the departments responsible for the information, in order to provide directors with complete, comprehensive, appropriate and consistent information in sufficient time for the meetings of the Bank's various corporate bodies. Information on the meetings is made available to the Bank's corporate bodies via an online system, to which all members of the Board have access.

C.1.36 Indicate and, where applicable, provide details of whether the Company has set out rules that require directors to inform and, where applicable, resign under circumstances that may damage the Company's standing and reputation:

YES

Explanation of the rules
As set forth in Article 12 of the Regulations of the Board of Directors, directors must also inform the Board of Directors of any circumstances that may affect them and harm the Company's standing and reputation, and any circumstances that may have an impact on their suitability to perform their role. Directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office or not. Should the Board decide against their continuity, they are required to tender their resignation when, for reasons attributable to the directors in their status as such, serious damage has been done to the Company's equity, standing or reputation or when they are no longer suitable to hold the status of director of the Bank, among other circumstances referred to in section C.1.19 of this report.

C.1.37 Indicate whether any members of the Board of Directors have informed the Company that they have been accused or ordered to stand trial for any offences stated in Article 213 of the Spanish Corporate Enterprises Act:

NO

Indicate whether the Board of Directors has examined the case. If so, explain the grounds for the decision taken as to whether or not the director should retain the directorship post or, where applicable, describe the actions taken or that are intended to be taken by the Board of Directors on the date of this report.

C.1.38 Detail any significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the Company stemming from a public takeover bid, and its effects.

The Company has not reached significant agreements that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid.

C.1.39 Identify on an individual basis, when referring to directors, and in aggregate form for all other cases, and indicate in detail any agreements between the Company and its directors, managers or employees that provide for severance pay (guarantee or golden parachute clauses) for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end owing to a public takeover bid or other kinds of transactions.

Number of beneficiaries	65
Beneficiary type 65 managers and employees	**Description of the agreement** The Bank has no commitments to provide severance pay to directors. As at 31 December 2019, a group of 65 managers and employees are entitled to receive severance pay in the event of dismissal on grounds other than their own will, retirement, disability or serious dereliction of duties. Its amount will be calculated by factoring in the salary and length of service of the employee, and will not be paid in the event of lawful dismissal at the employer's decision on grounds of the employee's serious dereliction of duties.

Indicate whether, in addition to the circumstances provided for by law, the corporate bodies and Group bodies must be notified of and/or approve these contracts. If so, specify the procedures, the circumstances provided for and the nature of the bodies responsible for approval or notification:

	Board of Directors	General meeting
Body that authorises the clauses	Yes	No

	YES	NO
Is the general meeting informed of these clauses?	X	

Remarks
The Board of Directors approves resolutions relating to the basic contractual conditions of members of Senior Management, pursuant to the provisions of Article 17 of the Regulations of the Board of Directors, hereby notified to the General Shareholders' Meeting through this Report and through the information contained in the Annual Financial Statements, but does not approve the conditions applicable to other employees.

C.2 Committees of the Board of Directors

C.2.1 Detail all of the committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors sitting thereon:

EXECUTIVE COMMITTEE

Name	Position	Category
Carlos Torres Vila	Chair	Executive
Onur Genç	Member	Executive
Jaime Félix Caruana Lacorte	Member	Independent
Carlos Loring Martínez de Irujo	Member	Other external
José Maldonado Ramos	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of executive directors	33.33%
% of proprietary directors	0%
% of independent directors	16.67%
% of other external directors	50%

Explain the duties that have been delegated or assigned to this committee, other than those that have already been described in section C.1.10, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

Pursuant to Article 30 of BBVA's Regulations of the Board of Directors and Article 1.2 of its own Regulations, the Executive Committee will be made aware of matters delegated by the Board of Directors, as required by law, the Bylaws, the Regulations of the Board or its own Regulations.

In particular, in accordance with the powers conferred on it by Article 5 of the Regulations of the Executive Committee, approved by the Board on 29 April 2019, the Committee performs the following functions:

- Support functions to the Board of Directors in decision-making:

(i) In relation to strategy: establishment of the bases and previous analysis of the proposals submitted to the Board of Directors in relation to the Bank's Strategic Plan or other strategic decisions, including the Risk Appetite Framework; prior analysis of the strategic and financial aspects of proposals submitted to the Board regarding corporate transactions that fall within its decision-making remit; and decision-making or execution of the mandates which are expressly delegated by the Board in these fields, once the decisions reserved to it are adopted by the Board.

(ii) In relation to budgets: prior analysis of budget proposals submitted to the Board; corresponding decision-making for the implementation of the budget approved by the Board; and analysis of deviations from the approved budget.

(iii) In relation to finance: establishment of the bases and previous analysis of the proposals submitted to the Board of Directors relating to the Bank's funding plan, its capital and liquidity structure, and its dividends policy; and decision-making on the implementation of mandates conferred upon it by the Board in these areas.

(iv) In relation to business risk: analysis of matters relating to business risk in the proposals and plans submitted to the Board of Directors.

(v) In relation to reputational risk: analysis, evaluation and management of matters relating to reputational risk.

- Prior reporting of policies submitted to the Board and approval of Company and Group general policies: analysis, prior to their consideration by the Board, of the general Group and Company policies that, in accordance with the law or internal regulations, must be approved by the Board, except for policies relating to issues handled by other Board committees, which will be approved or reported to the Board beforehand by the appropriate committee.

- Oversight and control of the following matters: (i) Group activity and results; (ii) budget monitoring; (iii) progress of the Strategic Plan, through the key performance indicators established for this purpose; (iv) monitoring of the Group's liquidity and funding plan and capital situation, as well as the activities of the Assets and Liabilities Committee; (v) monitoring of the evolution of the risk profile and the core metrics defined by the Board; (vi) share-price performance and changes in shareholder composition; (vii) analysis of the markets in which the Group operates; and (viii) progress of projects and investments agreed within its remit, as well as those agreed by the Board within the strategic level.

- Decision-making powers on the following matters: (i) investments and divestments between EUR 50 million and EUR 400 million, unless they are of a strategic nature, in which case they will be the Board's responsibility; (ii) plans and projects that are considered to be of importance to the Group and that arise from its activities, and that are not within the remit of the Board; (iii) decisions regarding the assumption of risks that exceed the limits set by the Board, which must be reported to the Board at its first meeting thereafter for ratification; (iv) granting and revoking of the Bank's powers; (v) proposals for the appointment and replacement of directors in the Bank's subsidiaries or investees companies with more than EUR 50 million in own funds; and (vi) whether executive directors may hold management positions in companies controlled, directly or indirectly, by the Bank, or in the Group's investee companies.

The Regulations of the Executive Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation.

The Regulations of the Executive Committee specifically provide that the Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda. The regulations also set out the procedure for calling ordinary and extraordinary meetings.

For the proper performance of its functions, the Committee will have available, where necessary, the reports of the relevant Board committees on matters within their remits, and may request, as a matter of relevance, the attendance of the chairs of those committees at its own meetings where such reports are to be dealt with.

Other aspects relating to its organisation and operation are subject to the provisions of the Committee's own Regulations. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

The most significant activities carried out by the Executive Committee in 2019 are detailed in section H of this Report.

AUDIT COMMITTEE

Name	Position	Category
Jaime Félix Caruana Lacorte	Chair	Independent
José Miguel Andrés Torrecillas	Member	Independent
Belén Garijo López	Member	Independent
Lourdes Máiz Carro	Member	Independent
Ana Cristina Peralta Moreno	Member	Independent

% of proprietary directors	0%
% of independent directors	100%
% of other external directors	0%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Audit Committee is to assist the Board of Directors in overseeing the preparation of the financial statements and public information, and the relationship with the external auditor and the Internal Audit area.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Audit Committee, approved by the Board on 29 April 2019, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board of Directors, the Audit Committee is entrusted with the following functions, inter alia:

In relation to overseeing the financial statements and public information:

- Oversee the process of preparing and reporting financial information and submit recommendations or proposals to the Board of Directors aimed at safeguarding the integrity thereof; and analyse, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as in all other required financial and related non-financial information.

- Oversee the effectiveness of the Company's internal control and risk management systems, in terms of the process of preparing and reporting financial information, including fiscal risks, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit, without undermining its independence.

In relation to the Internal Audit function:

- Propose to the Board the selection, appointment, re-election and removal of the head of the Internal Audit function; monitor the independence, effectiveness and functioning of the Internal Audit function; analyse and set objectives for the head of the Internal Audit function and assess his or her performance; ensure that the Internal Audit function has the necessary material and human resources; and analyse and, where appropriate, approve the annual work plan for the Internal Audit function.

- Receive monthly information from the head of the Internal Audit function regarding the activities carried out by the Internal Audit function, and regarding any incidents and obstacles that may arise, and verify that Senior Management takes into account the conclusions and recommendations of the reports; and also follow up on these plans.

- Be apprised of the audited units' degree of compliance with corrective measures previously recommended by Internal Audit and report to the Board on those cases that may involve a significant risk for the Group.

In relation to the external audit process:

- Submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as the hiring conditions of the external auditor, and to periodically obtain information from the external auditor on the external audit plan and its execution, in addition to preserving its independence in the performance of its functions.

- Ensure the independence of the auditor: (i) by avoiding that the auditor's warnings, opinions or recommendations may be adversely influenced, ensuring that compensation for the auditor's work does not compromise either its quality or independence; and (ii) by establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, agreement by the Committee will be required.

- Establish appropriate relations with the auditor in order to receive information on any matters that may jeopardise its independence and any other matters in connection with the auditing process.

- Where appropriate, authorise the provision of additional services other than prohibited services, by the auditor or associated persons or entities, the performance of which is required by applicable regulations in each case, under the terms provided for in auditing legislation.

- Issue, on an annual basis and before the audit report is issued, a report expressing an opinion on whether the auditor's independence has been compromised. This report must, in all cases, contain a reasoned assessment of the provision of each and every additional service referred to in the preceding paragraph, considered individually and collectively, other than the legal audit, and relating to the framework of independence or the regulations on audit activity.

- Ensure that the auditor holds an annual meeting with the full Board of Directors to inform it of the work undertaken and progress of the Company's risks and accounting situations.

The most significant activities carried out by the Audit Committee in the 2019 financial year, as well as its organisational and operational rules, are detailed in section H of this Report.

Identify the directors who are members of the Audit Committee and have been appointed on the basis of their knowledge and experience of accounting or auditing, or both, and specify the date on which the Chair of this Committee was appointed to the post.

Name of the directors with experience	Jaime Félix Caruana Lacorte José Miguel Andrés Torrecillas Belén Garijo López Lourdes Máiz Carro Ana Cristina Peralta Moreno
Date of appointment of the chair to the post	29 April 2019

APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
José Miguel Andrés Torrecillas	Chair	Independent
Belén Garijo López	Member	Independent
José Maldonado Ramos	Member	Other external
Juan Pi Llorens	Member	Independent
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Appointments and Corporate Governance Committee is to assist the Board of Directors in matters relating to the selection and appointment of members of the Board of Directors; the assessment of their performance; the drafting of succession plans; the Bank's Corporate Governance System; and the oversight of the conduct of directors and any conflicts of interest that may affect them.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Appointments and Corporate Governance Committee, approved by the Board on 29 April 2019, and notwithstanding any other duties assigned to it by law, by the Bank's internal regulations or by resolution of the Board of Directors, the Appointments and Corporate Governance Committee is entrusted with the following functions:

1) Submit proposals to the Board of Directors for the appointment, re-election or removal of independent directors and report on proposals for the appointment, re-election or removal of the remaining directors.

   To this end, the Committee will evaluate the balance of knowledge, skills and experience of the Board of Directors, as well as the conditions that the candidates must meet to cover the vacancies that arise, assessing the dedication of time considered necessary to adequately carry out their duties, in view of the needs of the corporate bodies at any given time.

   The Committee will ensure that selection procedures are not implicitly biased in such a way that may entail any kind of discrimination and, in particular, that may hinder the selection of directors of the underrepresented gender, endeavouring that directors of said gender who display the professional profile sought are included amongst potential candidates.

   The Committee, when drafting the corresponding proposals for the appointment of directors, will take into consideration, in case they may be considered suitable, any requests that may be made by any member of the Board of Directors regarding potential candidates to fill the vacancies that have arisen.

2) Propose to the Board of Directors the selection and diversity policies for members of the Board.

3) Establish a target for representation of the underrepresented gender on the Board of Directors and draw up guidelines on how to reach that target.

4) Analyse the structure, size and composition of the Board of Directors, at least once per year, when assessing its operation.

5) Analyse the suitability of the members of the Board of Directors.

6) Review the status of each director each year, so that this may be reflected in the Annual Corporate Governance Report.

7) Report on proposals for the appointment of Chairman and Secretary and, where appropriate, Deputy Chair and Deputy Secretary, as well as the Chief Executive Officer (Consejero Delegado).

8) Submit to the Board of Directors proposals for the appointment, removal or re-appointment of the Lead Director.

9) Determine the procedure for assessing the performance of the Chairman of the Board of Directors, the Chief Executive Officer, the Board of Directors as a whole and the Board committees, and oversee its implementation.

10) Report on the quality and efficiency of the performance of the Board of Directors.

11) Report on the performance of the Chairman of the Board of Directors and of the Chief Executive Officer, incorporating for the latter the assessment made in this regard by the Executive Committee, for the purpose of periodic assessment of both by the Board.

12) Examine and organise the succession of the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chair, in coordination with the Lead Director in the case of the Chairman of the Board, and, where appropriate, submit proposals to the Board of Directors to ensure that the succession takes place in an orderly and planned manner.

13) Review the Board of Directors' policy on the selection and appointment of members of the Senior Management, and submit recommendations with the Board when applicable.

14) Report on proposals for the appointment and removal of senior managers.

15) Regularly review and assess the Company's Corporate Governance System and, where applicable, submit proposals to the Board of Directors, for approval or subsequent submission to the General Shareholders' Meeting, on any amendments and updates that would contribute to its implementation and continuous improvement.

16) Ensure compliance with the provisions applicable to directors contained in the Regulations of the Board of Directors or in the applicable legislation, as well as with the rules relating to conduct on the securities markets, and inform the Board of these if it deems it necessary.

17) Report, prior to any decisions that may be made by the Board of Directors, on all matters within its remit as provided for by law, the Bylaws, the Regulations of the Board and these Regulations, and in particular on situations of conflict of interest of the directors.

The organisational and operational rules and most significant activities carried out by the Appointments and Corporate Governance Committee in 2019 are detailed in section H of this Report.

REMUNERATIONS COMMITTEE

Name	Position	Category
Belén Garijo López	Chair	Independent
Tomás Alfaro Drake	Member	Other external
Carlos Loring Martínez de Irujo	Member	Other external
Lourdes Máiz Carro	Member	Independent
Ana Cristina Peralta Moreno	Member	Independent

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Remunerations Committee is to assist the Board of Directors in remuneration matters within its remit and, in particular, those relating to the remuneration of directors, senior managers and those employees whose professional activities have a significant impact on the risk profile of the Group (the "Identified Staff"), ensuring observance of approved remuneration policies.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Remunerations Committee, approved by the Board on 29 April 2019, and notwithstanding any other duties assigned to it by law, by the Bank's internal regulations or by resolution of the Board of Directors, the Remunerations Committee broadly performs the following functions:

1) Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the remuneration policy for directors, and also submit its corresponding report, all in accordance with the terms established by applicable regulations at any given time.

2) Determine the remuneration of non-executive directors, as provided for in the remuneration policy for directors, submitting the corresponding proposals to the Board.

3) Determine the extent and amount of individual remunerations, rights and other economic rewards, as well as the remaining contractual conditions for executive directors, so that these can be contractually agreed, in accordance with the remuneration policy for directors, submitting the corresponding proposals to the Board of Directors.

4) Determine the objectives and criteria for measuring the variable remuneration of the executive directors and assess the degree of achievement thereof, submitting the corresponding proposals to the Board of Directors.

5) Analyse, where appropriate, the need to make ex-ante or ex-post adjustments to variable remuneration, including the application of malus or clawback arrangements for variable remuneration, submitting the corresponding proposals to the Board of Directors, prior report of the corresponding committees in each case.

6) Annually submit the proposal of the annual report on the remuneration of the Bank's directors to the Board of Directors, which will be submitted to the Annual General Shareholders' Meeting, in accordance with the provisions of the applicable law.

7) Propose to the Board of Directors the remuneration policy for senior managers and rest of Identified Staff. Likewise, oversee its implementation, including oversight of the process for identifying such employees.

8) Propose to the Board of Directors, and oversee the implementation of, the remuneration policy for the Group, which may include the policy for senior managers and other employees of the Identified Staff, stated in the previous paragraph.

9) Propose to the Board of Directors the basic contractual conditions for senior managers, including their remuneration and severance indemnity in the event of termination.

10) Directly oversee the remuneration of senior managers and determine, within the framework of the remuneration model applicable to Senior Management at any given time, the objectives and criteria for measuring variable remuneration of the heads of the Regulation and Internal Control function and of the Internal Audit function, submitting the corresponding proposals to the Board of Directors, on the basis of those submitted to it in this regard by the Risk and Compliance Committee and the Audit Committee, respectively.

11) Ensure observance of the remuneration policies established by the Company and review them periodically, proposing, where appropriate, any modifications deemed necessary to ensure, amongst other things, that they are adequate for the purposes of attracting and retaining the best professionals, that they contribute to the creation of long-term value and adequate control and management of risks, and that they attend to the principle of pay equity. In particular, ensure that the remuneration policies established by the Company are subject to internal, central and independent review at least once a year.

12) Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors.

13) Oversee the selection of external advisers, whose advice or support is required for the performance of their functions in remuneration matters, ensuring that any potential conflicts of interest do not impair the independence of the advice provided.

The organisational and operational rules and most significant activities carried out by the Remunerations Committee in 2019 are detailed in section H of this Report.

RISK AND COMPLIANCE COMMITTEE

Name	Position	Category
Juan Pi Llorens	Chair	Independent

José Miguel Andrés Torrecillas	Member	Independent
Jaime Félix Caruana Lacorte	Member	Independent
Carlos Loring Martínez de Irujo	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Risk and Compliance Committee is to assist the Board of Directors in the determination and monitoring of the Group's risk control and management policy, including risk internal control and non-financial risks, with the exception of those related to internal financial control, which are within the Audit Committee's remit; those related to technological risk, which are within the Technology and Cybersecurity Committee's remit; and those related to business and reputational risk, which are within the Executive Committee's remit. It will also assist the Board of Directors in the oversight of the Compliance function and the implementation of a risk and compliance culture in the Group.

In particular, in accordance with the powers conferred on it by Article 5 of the Regulations of the Risk and Compliance Committee approved by the Board on 29 April 2019, and without prejudice to any other functions assigned to it either by law, the Bank's internal regulations or attributed to it by decision of the Board of Directors, the Risk and Compliance Committee will have the following functions explained below, including also the actions carried out by the Committee to fulfil said functions:

1. *Analyse, on the strategic bases established either by the Board of Directors or the Executive Committee at any given time, and submit to the Board proposals regarding the strategy, control and management of the risks of the Group. These proposals will identify, in particular: (i) the Group's risk appetite; and (ii) the level of acceptable risk in terms of the risk profile and risk capital broken down into the Group's businesses and areas of activity. The proposals shall be analysed and submitted to the Board of Directors by the Committee on the basis of the strategic and financial approaches determined by both the Board of Directors and the Executive Committee.*

   With regard to the BBVA Group's Risk Appetite Framework for financial year 2019, the Risk and Compliance Committee has revised the proposal for risk statements, metrics and limits prior to its consideration and approval by the competent corporate bodies.

   Furthermore, in several of its meetings the Risk and Compliance Committee analysed and finally submitted proposals for the BBVA Group's Risk Appetite Framework for 2020 financial year, as well as an update to the BBVA Group's General Risk Management and Control Model. These were submitted to the Board of Directors for its consideration and, where appropriate, its approval, on the basis of the approach taken by the Executive Committee.

   On the other hand, during financial year 2019, the Risk and Compliance Committee reviewed reports on the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP), as well as proposals on statements of capital and liquidity adequacy, as legally required, in order to monitor the development of stress scenarios and verify their alignment with the approved Risk Appetite Framework. This review was carried out with assistance from the Risk and Finance areas, amongst others. This made it possible to ensure that these reports and proposals faithfully reflected the Group's situation in the areas analysed prior to them being submitted for consideration by the Executive Committee and the Board of Directors.

2. *Address, in a manner consistent with the Risk Appetite Framework established by the Board of Directors, the control and management policies for the different Group's risks, including financial risks, and, to the extent that they do not correspond to another Board Committee, non-financial risks, as well as internal control and reporting systems.*

The Risk and Compliance Committee has participated in the annual review and updating of the corporate risk management and control policies for the different risks of the Group, ensuring they are consistent with the Group's General Risk Management and Control Model.

The Risk and Compliance Committee also confirmed that the Model itself is adequate and that the Group has risk-management areas structured both at corporate level and in each geographical and/or business area, that function correctly and provide the Committee with the information required to understand the Group's risk exposure at all times, thus enabling the Committee to fulfil its monitoring, supervision and control functions.

3. *Supervise the effectiveness of the Regulation & Internal Control area (under whose direction the areas of Supervisors, Regulation and Compliance are included, as well as Internal Risk Control and Non-Financial Risks), which will report to the Board of Directors via the Committee, and in particular will: (i) propose to the Board of Directors the appointment and removal of the Head of Regulation & Internal Control; (ii) analyse and establish the objectives for the Head of Regulation & Internal Control, and carry out evaluation of their performance; (iii) ensure that Regulation & Internal Control has the material and human resources necessary for the effective performance of its functions; (iv) analyse and, where appropriate, approve the annual work plan for Regulation & Internal Control, as well as its modifications, and monitor compliance with it.*

The Risk and Compliance Committee has monitored the effectiveness of the Regulation & Internal Control area, in matters related to the Head of the area (e.g. appointment, setting objectives) and ensuring that the area has the resources necessary to carry out its functions.

Continued in section H of this Report.

TECHNOLOGY AND CYBERSECURITY COMMITTEE

Name	Position	Category
Carlos Torres Vila	Chair	Executive
Tomás Alfaro Drake	Member	Other external
Sunir Kumar Kapoor	Member	Independent
Juan Pi Llorens	Member	Independent
Jan Paul Marie Francis Verplancke	Member	Independent

% of executive directors	20%
% of proprietary directors	0%
% of independent directors	60%
% of other external directors	20%

Explain the duties assigned to this committee and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant activities during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Technology and Cybersecurity Committee is to assist the Board of Directors in oversight technological risk and cybersecurity management and in monitoring the Group's technological strategy.

In particular, in accordance with the powers conferred on it by Article 5 of the Regulations of the Technology and Cybersecurity Committee approved by the Board on 29 April 2019, the Technology and Cybersecurity Committee will have the following functions, without prejudice to any other functions assigned to it by law, the internal rules of the Bank or by decision of the Board. These fall into two categories, as explained below, including the activities carried out by the Committee to fulfil the respective functions:

- Duties relating to oversight of technological risk and cybersecurity management, such as:

- Review the Group's exposures to the main technological risks, including the risks related to information security and cybersecurity, as well as the procedures adopted by the executive area to monitor and control such exposures.
- Review the policies and systems for the assessment, control and management of the Group's technological infrastructures and risks, including the response and recovery plans in the event of cyberattacks.
- Be informed of business continuity plans in matters of technology and technological infrastructure.
- Being informed, as appropriate, about: (i) compliance risks associated with information technology; (ii) the procedures established for identifying, assessing, overseeing, managing and mitigating these risks.
- Being informed about any relevant events that may have occurred with regard to cybersecurity, i.e. events that, either individually or as a whole, may cause significant impact or harm to the Group's equity, results or reputation.
- Being informed, as required, by the head of the Technological Security area regarding the activities it carries out, as well as any incidents that may arise.

To ensure compliance with these duties, the Technology and Cybersecurity Committee has performed the following activities:

- Review of the Group's exposure to technological risk: The Committee has reviewed the Bank's and the Group's exposure to the main technological risks, including risks relating to information security and cybersecurity, ensuring that the executive area is equipped with procedures for monitoring and controlling said exposures.
- Evaluation, control and management of risks: The Committee has monitored the Group's technological infrastructures and risks, and is informed of the cyberattack response and recovery plans, as well as the business continuity plans that affect the Group's main technological infrastructures.

  Furthermore, the Committee has been informed of the compliance risks associated with information technology, such as those derived from managing data with regard to the regulation on personal data protection and the new regulation on payment services, as well as the procedures established to identify, manage, control and, if necessary, mitigate these types of risks.
- Cybersecurity: The Committee has been informed of the Group's cybersecurity strategy and of the systems and tools that the Group possesses in this regard.

  Likewise, the Committee has been informed of any significant events that have occurred in relation to cybersecurity, including those that have directly affected the Bank or the Group's companies, as well as those that have affected important (national or international) entities or companies, so that the Committee is aware of the threats to which the Group is (or may be) exposed and of the technological defences that BBVA possesses at any time to combat possible attacks.
- Reports from the head of the Technological Security area: The Committee has been informed of the relevant events, projects, transactions, tasks and activity indicators affecting the Group's various cybersecurity programmes.

Continued in section H of this report.

C.2.2 Fill in the following table with information on the number of female directors sitting on the committees of the board of directors at the close of the last four financial years:

Number of female directors

	Financial year 2019		Financial year 2018		Financial year 2017		Financial year 2016	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	1	16.66%	1	16.66%	1	16.66%	1	16.66%
Audit Committee	3	60%	3	60%	2	40%	2	40%
Appointments and Corporate Governance Committee	2	40%	3	60%	2	40%	2	40%
Remunerations Committee	3	60%	3	60%	2	40%	1	20%
Risk and Compliance Committee	1	20%	1	20%	1	20%	1	20%
Technology and Cybersecurity Committee	-	-	-	-	-	-	-	-

C.2.3 Indicate, where applicable, if there are regulations for the board committees, where they can be consulted and any amendments made to them during the financial year. Indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board of Directors, at its meeting on 29 April 2019, approved amendments to the Regulations of the Board of Directors and to those of its committees. As a result, all Board committees have their own regulations with the following characteristics in common: (i) harmonised structure and content; (ii) the specific functions of the respective committee; and (iii) referral to the Regulations of the Board as regards the operation of the Committee in all matters not provided for in each set of Regulations. These are all available on the Bank's corporate website (www.bbva.com), under "Shareholders and Investors", "Corporate Governance and Remuneration Policy".

In particular, with regard to the Executive Committee, the Audit Committee, the Risk and Compliance Committee and the Technology and Cybersecurity Committee, the following changes were approved which resulted in new consolidated texts:

- The Executive Committee's delegated functions were specified and limited, and provides support to the Board in matters of strategy and finance and acts as a delegated body under the scope established in its Regulations. Furthermore, the framework for decision-making in relation to its various responsibilities was reflected in the Regulations, distinguishing between: (i) support functions to supporting the Board of Directors in decision-making; (ii) functions relating to the prior report on policies that are submitted for approval by the Board of Directors and approval of general policies; (iii) monitoring and control functions and (iv) decision-making functions on certain matters.
- The responsibilities of the Audit Committee have been modified to focus on those relating to oversight of the Bank's and the Group's financial information, to the relationship with the external auditor and to the Internal Audit function as the Group's third line of defence or "third layer of control". Responsibilities assigned to date relating to the areas of regulatory compliance and conduct of the directors were removed from the scope of this Committee.
- With regard to the Risk and Compliance Committee, all functions relating to the "second layer of control" are now included within its remit, with the exception of functions which fall within the remit of other committees in matters of internal financial control, technological risk and reputational and business risk. Matters relating to regulatory compliance and legal risk are also now included within this committee's remit. In addition, the Regulations also include a requirement that the Committee be composed exclusively of non-executive directors, with a majority of independent directors.
- With regard to the Technology and Cybersecurity Committee, technical improvements were incorporated into its Regulations.

Moreover, new Regulations were implemented for the Appointments and Corporate Governance Committee and the Remunerations Committee, as said Committees did not have their own regulations, with the following main changes being introduced:

- Functions relating to the corporate governance of the Company, such as the assessment of Board members' performance, succession plans and the periodic review of the Bank's corporate governance system, as well as those relating to the conduct of directors, are now included within the remit of the Appointments and Corporate Governance Committee.
- Some of the functions of the Remunerations Committee were reinforced as part of the development of the Bank's Corporate Governance System.

All of the committees of the Board of Directors, within the framework of the annual assessment process of their operation, have prepared and submitted a report to the Board of Directors detailing the activity carried out by each of them in the performance of their functions during 2019, which are explained in more detail in sections C.1.17 and C.2.1 above.

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure and competent bodies, if any, for approving related-party and intra-group transactions.

Procedure for approving related-party transactions
Article 17.1.e) (iii) of the Regulations of the Board of Directors provides that the Board is responsible for approving, where applicable, transactions carried out by the Bank or its Group companies with directors or shareholders who, individually or in concert with others, hold a significant interest, including shareholders represented on the Board of Directors of the Company or of other Group companies, or with persons linked to them, with the exceptions provided for by law. Moreover, Article 8.6 of the Regulations of the Board of Directors establishes that approval of the transactions conducted by the Company or by Group companies with directors, when these correspond to the Board of Directors, will be granted, where appropriate, prior report from the Audit Committee. The only exceptions to this approval will be transactions that simultaneously meet the three following specifications: (i) they are carried out under contracts with standard terms and are applied en masse to a large number of customers; (ii) they are executed at rates or prices set in general by the party acting as supplier of the goods or services; and (iii) they are worth less than 1% of the Company's annual revenues.

D.2 Detail transactions deemed to be significant for their amount or content carried out between the company or its group companies and the company's significant shareholders:

Name or corporate name of the significant shareholder	Name or corporate name of the company or group company	Nature of the relationship	Type of transaction	Amount (thousands of euro)

D.3 Detail any transactions deemed to be significant for their amount or content carried out between the company or its group companies and the directors or executives of the company:

Name or corporate name of the directors or executives	Name or corporate name of the related party	Relationship	Nature of the transaction	Amount (thousands of euro)

D.4 Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its objects and conditions.

In any event, provide information on any intra-group transactions with companies established in countries or territories considered tax havens:

Corporate name of the Group Company	Brief description of the transaction	Amount (thousands of euro)
BBVA GLOBAL FINANCE LTD.	Current account deposits	2,369
BBVA GLOBAL FINANCE LTD.	Term account deposits	6,053
BBVA GLOBAL FINANCE LTD.	Issue-linked subordinated liabilities	178,083

D.5 Detail any significant transactions between the company or its group companies and other related parties, which have not been listed in the previous entries.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euro)

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders.

Articles 7 and 8 of the Regulations of the Board of Directors regulate issues relating to possible conflicts of interest as follows:

Article 7

Directors must adopt necessary measures to avoid incurring in situations where their interests, whether on their own account or for that of others, may enter into conflict with the corporate interest and with their duties with respect to the Company, unless the Company has granted its consent under the terms established in applicable legislation and in the Regulations of the Board of Directors.

Likewise, they must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these are decisions relating to appointment or removal of positions on the management body.

Directors must notify the Board of Directors of any situation of direct or indirect conflict that they or parties related to them may have with respect to the Company's interests.

Article 8

The duty of avoiding situations of conflicts of interest referred to in the Article 7 above obliges the directors to refrain from, in particular:

- Carrying out transactions with the Company, unless these relate to ordinary transactions, performed under standard conditions for customers and of minor relevance. Such transactions are deemed to be those whose information is not necessary to provide a true picture of the Company's equity, financial situation and results.

- Using the name of the Company or invoking their position as director to unduly influence the performance of private transactions.

- Making use of corporate assets, including the Company's confidential information, for private ends.

- Taking advantage of the Company's business opportunities.

- Obtaining advantages or remuneration from third parties other than the Company and its Group, associated to the performance of their position, unless they are mere tokens of courtesy.

- Engaging in activities on their own account or on behalf of third parties that involve effective actual or potential competition with the Company or that, in any other way, bring them into permanent conflict with the Company's interests.

The above provisions will also apply should the beneficiary of the prohibited acts or activities described in the previous sections be a related party to the director. However, the Company may dispense with the aforementioned prohibitions in specific cases, authorising a director or a related party to carry out a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain an advantage or remuneration from a third party.

When the authorisation is intended to dispense with the prohibition against obtaining an advantage or remuneration from third parties, or affects a transaction whose value is over 10% of the corporate assets, it must necessarily be agreed by the General Shareholders' Meeting.

The obligation not to compete with the Company may only be dispensed with when no damage is expected to the Company or when any damage that is expected is compensated by the benefits that are foreseen from the dispensation. The dispensation will be conferred under an express and separate resolution of the General Shareholders' Meeting.

In other cases, the authorisation may also be resolved by the Board of Directors, provided that the independence of the members conferring it is guaranteed with respect to the director receiving the dispensation. Moreover, it will be necessary to ensure that the authorised transaction will not do harm to the corporate equity or, where applicable, that it is carried out under market conditions and that the process is transparent.

Approval by the Board of Directors of the transactions of the Bank or companies within its Group with directors will be granted, where appropriate, after receiving a report from the Audit Committee. The only exceptions to this approval will be transactions that simultaneously meet the three following specifications: 1) they are carried out under contracts with standardised terms and are applied en masse to a large number of customers; 2) they are executed at rates or prices set in general by the party acting as supplier of the goods or services; and 3) they are worth less than 1% of the Company's annual revenues.

Since BBVA is a credit institution, it is subject to the provisions of Spanish Law 10/2014 of 26 June, on the regulation, supervision and solvency of credit institutions, whereby the directors and general managers or similar positions may not obtain credits, collateral or guarantees from the Bank on whose board or management they work, above the limit and under the terms established in Article 35 of Royal Decree 84/2015, implementing Law 10/2014, unless expressly authorised by the Bank of Spain.

Continued in Section H of this report.

D.7 Are more than one of the Group's companies listed in Spain?

NO

Identify the other companies listed in Spain and their relationship with the company:

Identity and relationship with other listed Group companies

Indicate whether the respective areas of business and any potential relations between them, as well as any potential business relations between the other listed company and other group companies, have been publicly defined:

NO

Define any potential business relations between the parent company and the listed subsidiary company, and between the listed subsidiary company and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed company and other group companies:

Mechanisms to resolve potential conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Control and Management System, including risks of a tax-related nature.

The BBVA Group has a general risk management and control model (hereafter, the "Model") adapted to its business model, its organisation, its footprint and its Corporate Governance System. This allows the BBVA Group to operate within the framework of the control and risk management strategy and policy defined by the Bank's corporate bodies and to adapt to an ever-changing economic and regulatory environment, addressing risk management on a global level in a manner adapted to the circumstances at any moment.

This Model is applied comprehensively in the Group and is made up of the basic elements set out below:

I. Governance and organisation

II. Risk Appetite Framework

III. Evaluation, monitoring and reporting

IV. Infrastructure

Furthermore, the Group promotes the development of a risk culture that ensures consistent application of the Model within the Group, and that guarantees that the risk function is understood and internalised at all levels of the organisation.

The Model applies to the management and control of financial and non-financial risks of the Group, including tax risks, without prejudice that, on the tax scope, in addition to the management of this type of risk as a non-financial risk, BBVA has tax risk management policy based on an adequate control environment, a risk identification system and a monitoring process including continuous improvement of the effectiveness of the established controls. This management model is revised and assessed by an independent expert.

For more information on the basic elements of the Model, see "General risk management and control model" in the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2019.

E.2 Identify the corporate bodies responsible for drawing up and enforcing the Risk Control and Management System, including tax-related risks.

With regard to risks, the Board of Directors is responsible for determining the risk control and management policy and the oversight and control of its implementation.

In addition, and for a proper discharge of its functions, the Board of Directors is assisted by the Risk and Compliance Committee in the matters specified below. It is also assisted by the Executive Committee, which focuses on strategy, finance and business-related matters in an integrated manner, in order to monitor the Group's risks.

In particular, the Board of Directors establishes the Group's risk strategy and, in the discharge of this function, determines the risk control and management policy, which is set out in: the BBVA Group's Risk Appetite Framework—which includes the Group's risk appetite statement and a set of quantitative metrics originating from said statement that reflect the BBVA Group's risk profile—; the management policy framework for the different types of risk to which the Bank is or may be exposed; and the BBVA Group's risk control and management model.

Furthermore, it monitors the evolution of the BBVA Group's risks as well as the risks of each of its main geographical and/or business areas, ensuring their compliance with the BBVA Group's Risk Appetite Framework; also overseeing internal information and control systems.

At the executive level, the Head of Global Risk Management is responsible for managing all of the Group's financial risks and is responsible for ensuring, within the scope of functions, that the BBVA Group's risks are managed according to the established model.

For decision-making, the Head of Global Risk Management has a governance structure for the role that culminates in a support forum, the Global Risk Management Committee (GRMC), which is established as the main executive-level committee on the risks within its remit.

In addition, the Chief Risk Officers of the geographical and business areas report functionally to the Head of Global Risk Management and report operationally to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risk management function from the operating functions, and enable its alignment with the Group's risk-related corporate policies and goals.

With regard to non-financial risks and internal control, the Group has a Regulation & Internal Control area that is independent from the other units, and is responsible for proposing and implementing policies related to non-financial risks and the Group's internal control model. This area also includes, amongst others, the Non-Financial Risk, Regulatory Compliance and Internal Risk Control units.

For more information on the bodies responsible for risk management and control at BBVA, see "Governance and organization" in the "General risk management and control model" section under the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2019.

As far as tax risk is concerned, the Tax function of the BBVA Group is responsible for establishing the control mechanisms and internal rules necessary to ensure compliance with current tax regulations, as well as proposing the tax strategy to the Board of Directors for their consideration and approval, where appropriate. In addition, the Audit Committee is responsible for overseeing the tax risks in the process of preparation and presenting financial information, which is evidenced by the reports made by the Head of the BBVA Group's Tax function to the Committee.

E.3 Indicate the primary risks, including tax-related risks and, where significant, risk derived from corruption (the latter can be understood to be within the scope of Royal Decree Law 18/2017) that could prevent business targets from being met.

BBVA has processes to identify risks and analyse scenarios, enabling dynamic and advance risk management. These processes are forward-looking to ensure the identification of emerging risks, and take into account the concerns of both the business and corporate areas, as well as those of Senior Management.

Risks are identified and measured in a consistent manner and in line with methodologies that are considered adequate. Their measurement includes scenario analyses and stress testing, and considers the controls to which the risks are subject.

In this regard, there are a number of emerging risks that could impact the Group's business performance. These risks are organised into the following large blocks:

- Macroeconomic and geopolitical risks
- Regulatory and reputational risks
- Business, legal and operational risks

For more information on these risks, see "Risk factors" in the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2019, and "Other non-financial risks" chapter of the Non-Financial Information Statement, included in said Management Reports.

Likewise, amongst the possible crimes included in the criminal prevention model are those related to corruption and bribery, since there are a number of risks that could manifest in a company with characteristics such as those of BBVA. For more information on these, see "Other standards of conduct" in the "Compliance system" section, which is included in the "Ethical behaviour" chapter of the Non-Financial Information Statement in the individual and consolidated Management Reports for the 2019 financial year.

On the other hand, and not having the consideration of significant risk referred to in this section, the Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). Such investigation includes the provision of services by Cenyt to the Bank.

In relation to this, on 29th July 2019, the Bank was named as an official suspect (*investigado*) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could be constitutive of bribery, revelation of secrets and corruption.

Certain current and former officer and employees of the Group, as well as former directors have also been named as official suspects in connection with this investigation.

The Bank has been and continues to proactively collaborate with the Spanish judicial authorities, and has shared with the courts the relevant information from its on-going forensic investigation regarding its relationship with Cenyt.

The Bank has also testified before the judge and prosecutors at the request of Central Investigating Court No. 6 of the National High Court.

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

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

E.4 Identify whether the company has a risk tolerance level, including tax-related risks.

The Group's Risk Appetite Framework, approved by the corporate bodies, determines the risks (financial and non-financial risks, including tax risks) and the associated risk levels that the Group is prepared to assume to achieve its objectives, considering the organic development pattern of the business. These are expressed in terms of solvency, liquidity and funding, profitability and recurrence of revenue, which are reviewed not only periodically but also if there are any substantial changes in the Bank's business strategy or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk Appetite Statement: This contains the general principles of the Group's risk strategy and the target risk profile.

- Statements and core metrics: Derived from the appetite statement, these statements set out the general risk management principles in terms of solvency, liquidity and funding, profitability and income recurrence.

- Statement and metrics by type of risk: The general principles for managing each type of risk are established based on the core metrics and their thresholds for the risk in question. A series of metrics are also determined, and adherence to these ensures compliance with the core metrics and the Group's Risk Appetite Statement.

In addition to this Framework, there is a level of management limits that is defined and managed by the areas responsible for managing each type of financial and non-financial risk (including tax risks) in developing the structure of the metrics by type of risk. This is to ensure that anticipatory risk management respects this structure and, in general, the established Risk Appetite Framework.

Each significant geographical area has its own Risk Appetite Framework consisting of its local Risk Appetite Statement, core metrics and statements, statements and metrics by type of risk, which should be consistent with those set at the Group level, but adapted to their reality and approved by the corresponding corporate bodies of each entity. This Appetite Framework has a limit structure in line and consistent with the above.

The corporate risk area works together with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into the Group's Risk Appetite, making sure that its profile is in line with the one defined. Also, for local monitoring purposes, the Chief Risk Officer for the geographical area and/or business area will periodically report on the evolution of the local Risk Appetite Framework metrics to their corporate bodies, as well as, where appropriate, to the appropriate local top-level committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

For more information on the Risk Appetite Framework described above and on its monitoring and management integration, see "Risk Appetite framework" in the "General Risk management and control model" section within the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2019.

E.5 State what risks, including tax-related risks, have occurred during the financial year.

Risk is inherent to financial activity and, therefore, the occurrence of risks in minor or major measure is an inseparable part of the Group's activities. BBVA therefore offers detailed information on the evolution of risks which, by their nature, continuously affect the Group in carrying out its activity. This information is provided in its annual financial statements (notes 7 and 19 on risk management and tax risks, respectively, in the BBVA Group's Consolidated Annual Financial Statements; and notes 5 and 17 on the same subject matters, in the BBVA Group's Individual Annual Financial Statements, both for financial year 2019) and in the individual and consolidated management reports, both for financial year 2019 ("Risk management" chapter and "Other non-financial risks" chapter of the Non-Financial Information Statement).

E.6 Explain the response and oversight plans for the primary risks faced by the company, including tax-related risks, and the procedures followed by the company to ensure that the Board of Directors responds to any new challenges.

The BBVA Group's internal control system for operational risks is based on the best practices developed both in the COSO (Committee of Sponsoring Organizations of the Treadway Committee) "Enterprise Risk Management – Integrated Framework" and in the "Framework for Internal Control Systems in Banking Organisations" drawn up by the Basel Bank for International Settlements (BIS).

The control model has a system comprising three lines of defence:

- The Group's business and support units constitute the first line of defence. They are responsible for primary management of current and emerging risks, and implementing control procedures for risk mitigation. They are also responsible for reporting to their business/support unit.

- The second line of defence is comprised of specialised control units in different areas of risk: Compliance, Legal, Finance, People, Physical security, Technological security, Information and Data Security, Suppliers, Internal Risk Control and Processes. This line defines the control policies in its specialist field, across the entire Entity, and provides training to areas exposed to risk. It also contrasts the identification of current and emerging risks carried out by the different business and support units, and assesses the adequacy and effectiveness of the control environments implemented by them.

  With regard to operational risk, the control activity for the first and second lines of defence will be coordinated by the Non-Financial Risks unit, which will also be responsible for providing these units with a common internal control methodology and global tools. The Group's Head of Non-Financial Risks is responsible for the function and, together with the Head of Compliance and the Head of Internal Risk Control, reports its activity to the Head of Regulation & Internal Control and to the Board's Risk and Compliance Committee, assisting the latter in any matters where requested.

- The third line of defence is made up of the Internal Audit unit, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is configured as an independent and objective activity of evaluation of the first and second lines of defence. It evaluates the efficiency and effectiveness of the internal control and risk management policies and systems and of the processes and policies established by the Group.

As part of the second line of defence, the Group has a specific Internal Risk Control Unit, within the area of Regulation & Internal Control, which, independently, performs, among other tasks, the contrast and control of financial risk regulation and governance structure and its application and operation in the area of Global Risk Management, as well as the contrast of the development and implementation of financial risk management and control processes. It is also responsible for the validation of risk models.

The Group's Head of Internal Risk Control is responsible for the function, proposes its work plan to the Head of Regulation & Internal Control and to the Risk and Compliance Committee, providing them with the necessary information to monitor the activity plans proposed. Moreover it assists the Risk and Compliance Committee it in any matters where requested.

In addition, the internal risk control function is global and transversal, covering all types of financial risks and having specific units in all geographical and/or business areas, with functional dependency on the Group's Head of Internal Risk Control.

As far as tax risk is concerned, the Tax Department, located within the Finance area, is responsible for establishing the policies and controls necessary to ensure compliance at all times with the current tax regulations and the tax strategy approved by the Board of Directors. Internal Financial Control, as a second line of defence against financial, accounting and tax risks, is the area responsible for assessing the quality of the design and effectiveness of the control model operating in tax processes, as detailed in section F of this document.

Finally, in order to meet the new challenges that arise, the BBVA Group has a governance system that allows the Board of Directors to be informed of the real and potential risks that affect or may affect the Group at any time. Thus, in addition to the work carried out by the Bank's different areas of control (Risk, Regulation & Internal Control and Internal Audit), as well as other areas of the Bank, such as the legal and tax areas; and the corresponding Board committees (such as the Risk and Compliance Committee or Audit Committee), there is also the prospective monitoring and supervision carried out by the Technology and Cybersecurity Committee. Its work allows the Board of Directors to be informed of the main technological risks to which the Group is exposed – including those relating to information security risks, information technology compliance risks, and cybersecurity risks – as well as current technology strategies and trends, and relevant cybersecurity events affecting the Group or which might affect it in the future, among other functions.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in your entity.

F.1 The entity's control environment

Give information on the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation and (iii) its supervision.

Pursuant to Article 17 of its Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a listed company. The Board of Directors has an Audit Committee whose main task, among others, is to assist the Board in overseeing the preparation of financial statements and public information, as well as monitoring internal financial control.

In this regard, the Regulations of BBVA's Audit Committee establish that one of the Committee's functions is to oversee the effectiveness of the Company's internal control and the risk management systems in the process of drawing up and presenting financial information, including tax risks, as well as discussing with the external auditor the significant weaknesses of the internal control system detected during the audit.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act ("SOX") for each financial year's consolidated annual financial statements due to its status as a publicly traded company listed with the United States Securities Exchange Commission ("SEC"). The main Group executives are involved in the design, compliance and maintenance of an effective internal control model that guarantees the quality and veracity of the financial information. The Finance area has been responsible during 2019 for producing the consolidated annual financial statements and maintaining the control model for financial information generation. Specifically, this function is performed by the Financial Internal Control area, which is integrated within the Group's general internal control model, which is outlined below.

In 2019, the BBVA Group strengthened its internal control model, which comprise two key elements. The first element is the control structure, organised into three lines of defence, as described in section E.6 above, and the second is a governance scheme known as Corporate Assurance, which establishes a framework for overseeing the internal control model and for escalating the main issues relating to internal control within the Group to Senior Management.

The Corporate Assurance model (in which the business areas, support areas and the areas specialising in internal control participate), is organised into a system of committees that analyse the most relevant issues related to internal control in each geographical area, with the participation of the country's top managers. These committees report to the Group's Global Committee, chaired by the Chief Executive Officer with the assistance of the main global executives responsible for the business and control areas.

The effectiveness of this internal control system is assessed periodically for those risks that may affect the correct preparation of the Group's financial statements. The assessment is coordinated by the Internal Financial Control area and involves control specialists from business and support areas. The Group's Internal Audit area also performs its own assessment of the internal control system with regard to the generation of financial information. In addition, the external auditor of the BBVA Group issues an opinion every year on the effectiveness of internal control over financial reporting based on criteria established by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in accordance with PCAOB (the US Public Company Accounting Oversight Board) standards. This opinion appears in Form 20-F, which is filed every year with the SEC.

The result of the annual internal assessment of the System of Internal Control over Financial Reporting, carried out by Internal Audit and Internal Financial Control, is reported to the Audit Committee by the heads of Internal Financial Control.

F.1.2. Whether, especially in the process of drawing up financial information, the following elements exist:

• Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

Financial information is produced in the local Finance Departments of the BBVA Group banks in the different countries where it operates. The consolidation work is carried out in the Corporate Centre, in the Finance Department, which has overall responsibility for the preparation and disclosure of the Group's financial and regulatory information.

BBVA's organisational structure clearly defines lines of action and responsibility for the areas involved in the generation of financial information, both at the individual entity level and consolidated Group level, and also provides the channels and circuits necessary for the proper disclosure thereof, as well as a procedure for the disclosure of the annual accounts. The units responsible for drawing up these financial statements have a suitable distribution of tasks and the necessary segregation of functions to draw up these statements in an appropriate operational and control framework.

Additionally, there is an accountability model aimed at extending the culture of internal control, and commitment with its compliance. Those in charge of the design and operation of the processes that have an impact on financial reporting certify that all the controls associated with its operation under their responsibility are sufficient and have worked correctly.

• Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions of recording transactions and drawing up financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct that is approved by the Board of Directors and reflects BBVA's specific commitments with regard to one of the principles of its Corporate Culture: Integrity in the consideration and undertaking of its business. This Code likewise establishes the corresponding whistleblowing channel regarding possible infringements of the Code. It is the subject of training and refresher programmes, including key personnel in the financial function.

Following the update to the Code in 2015, communication campaigns to share its new content have been in place since 2016, making use of new formats and digital channels. In addition, a training plan has been developed at a global level, reaching the entire workforce of the Group.

The Code of Conduct can be accessed on the Bank's website (www.bbva.com) and on the employees' website (Intranet). Additionally, Group members undertake personally and individually to observe its principles and rules in an express declaration of awareness and adhesion.

One of the functions of the Risk and Compliance Committee is to examine draft codes of ethics and conduct and their respective modifications prepared by the corresponding area of the Group, and give its opinion in advance of the proposals to be submitted to the Corporate Bodies.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable). Their joint scope of action covers all the Group businesses and activities and their main duty is to ensure effective application of the Code of Conduct. There is also a Corporate Integrity Management Committee, whose scope of responsibility extends throughout BBVA. The main mission of this committee entails ensuring uniform application of the Code in BBVA.

The Compliance Unit in turn independently and objectively promotes and supervises that BBVA acts with integrity, particularly in areas such as money-laundering prevention, conduct with clients, security market conduct, corruption prevention, and other areas that could entail a reputational risk for BBVA. The unit's duties include fostering the knowledge and application of the Code of Conduct, promoting the drafting and distribution of its implementing standards, assisting in the resolution of any concern that may arise regarding the interpretation of the Code, and managing the Whistleblowing Channel.

• Whistleblowing channel, which allows financial and accounting irregularities to be communicated to the audit committee, as well as possible breaches of the code of conduct and irregular activities in the organisation, reporting where applicable if this is confidential in nature.

Preservation of the Corporate Integrity of BBVA transcends merely personal accountability for individual actions, it calls for all employees to have zero tolerance for activities that do not comply with the Code of Conduct or that could harm the reputation or good name of BBVA. This attitude is reflected in everyone's commitment to whistle-blowing, by timely communication, of situations that, even when unrelated to their activity or area of responsibility, could be infringe regulations or contradict the values and guidelines of the Code.

The Code of Conduct itself establishes the communication guidelines to follow and contemplates a Whistleblowing Channel, guaranteeing the duty of discretion of reporting parties, the confidentiality of the investigations and the prohibition of retaliation or adverse consequences in light of communications made in good faith.

Telephone lines and email inboxes have been set up in each jurisdiction for these communications, available on the Group Intranet.

As described in the previous section, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable), whose joint scope of action covers all the Group businesses and activities and whose functions and responsibilities (explained in greater detail in their corresponding regulations) include:

- Driving and monitoring global initiatives to foster and promote a culture of ethics and integrity among members of the Group.

- Ensuring the uniform application of the Code.

- Promoting and monitoring the functioning and effectiveness of the Whistleblowing Channel.

- In cases where they are not already included among the members of the Committee, informing Senior Management and/or the person responsible for preparing the financial statements of any events and circumstances from which significant risks might arise for BBVA.

In addition, the Risk and Compliance Committee supervises and controls the proper functioning of the Whistleblowing Channel, receiving periodic reports from the Compliance unit.

• Periodic training and refresher courses for employees involved in preparing and revising financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

The Finance area has a specific programme of courses and seminars, run in both its face-to-face and virtual campus, which complement the general training of all employees of the BBVA Group, in accordance to their functions and responsibilities. Specific training and periodic refresher courses are provided on accounting and tax regulations, internal control and risk management, particularly for teams in the areas involved in preparing and reviewing the financial and tax-related information and in evaluating the internal control system, to help them perform their functions correctly. These courses are taught by professionals from the area and renowned external providers.

Additionally, the BBVA Group has a personal development plan for all employees, which forms the basis of a personalised training programme to deal with the areas of knowledge necessary to perform their functions.

F.2 Financial reporting risk assessment

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

• Whether the process exists and is documented.

The ICFR was developed by the Group Management in accordance with international standards set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), which establishes five components on which the effectiveness and efficiency of internal control systems must be based:

- Establishing an adequate control environment for monitoring all these activities.
- Assessing the risks that may be incurred by an entity in drawing up its financial information.
- Designing the necessary controls to mitigate the most critical risks.
- Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.
- Monitoring such controls to ensure that they are operational and to guarantee their effectiveness over time.

In order to identify the risks with a greater potential impact on the generation of financial information, the processes through which such information is generated are analysed and documented, and an analysis of the risks, errors or inaccuracies that may arise in each is later conducted.

Based on the corporate internal control methodology, the risks are categorised by type, including process errors and fraud, and their probability of occurrence and possible impact are analysed.

The process of identifying risks in the preparation of Financial statements, including risks of error, falsehood or omission, is carried out by the first line of defence: those responsible for each of the processes that contribute to the preparation of financial information and those responsible for control. This risk identification is performed taking into account the theoretical risk model and the mitigation and control framework previously defined by the second line of defence, which, in the case of Finance, is the Internal Financial Control unit (tax and financial reporting risk specialist), who, in turn, challenges the functioning and effectiveness of the controls implemented.

The scope of the periodic assessment –annual, quarterly or monthly- of their controls is determined based on the significance of the risks, thus ensuring coverage of the risks considered critical for the financial statements.

The assessment of the aforementioned risks and the design and effectiveness of their controls begins with the understanding and knowledge of the analysed operating process, considering criteria of quantitative materiality, likelihood of occurrence and economic impact, in addition to qualitative criteria associated with the type, complexity and nature of the risks or of the business or process structure itself.

The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, changes in operating processes, the regulations applicable at all times, the risks affecting them and the controls that mitigate them.

All this is documented in a corporate management tool developed and managed by the Non-Financial Risk area (STORM). This tool documents all the risks and controls, by process, which are managed by the different risk specialists, including the Financial Internal Control unit.

• Whether the process covers all of the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and how frequently.

Each of the processes identified in the BBVA Group for drawing up financial information aim to record all financial transactions, value the assets and liabilities in accordance with applicable accounting regulations and provide a breakdown of the information in accordance with regulatory requirements and market needs.

The financial information control model analyses each of the phases of the processes mentioned above (from procedural governance, documentation, criteria setting, decision making, information provision, application operation, monitoring information generated, and reporting), in order to ensure that the identified risks are adequately covered by controls that operate efficiently. The control model is updated when changes arise in the relevant processes for producing financial information.

• The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, or instrumental or special purpose vehicles.

The Finance area includes a department responsible for the Group's financial consolidation, which carries out a monthly process of identification, analysis and updating of the perimeter for the Group's consolidated companies.

In addition, the information from the consolidation department on new companies set up by the Group's different units, and the changes made to existing companies, is compared with the data analysed by a specific committee at corporate level, whose function is to analyse and document the changes in the composition of the corporate group (Corporate Structure Committee - CES).

In addition, the Finance area of the Bank, in controlling special purpose entities, makes a periodic report to the Audit Committee on the structure of the Group of companies.

• Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental etc.) insofar as they impact the financial statements.

The model of internal control over financial reporting applies not only to processes for directly drawing up such financial information but also to all operational or technical processes that could have a relevant impact on the financial, accounting, tax-related or management information.

As mentioned above, the Group has an internal control model coordinated by the Regulation & Internal Control area, which uses a single methodology to assess of all the Group's Non-Financial Risks (mainly operational, technological, financial, legal, tax-related, reputational, third party and compliance). All the specialist risk areas and control assurers use a common tool (STORM) to document the identification of the risks, the controls that mitigate those risks and the assessment of their effectiveness.

There are control assurers in all the operational or support areas, and therefore any type of risk that may affect the Group's operations is analysed under that methodology and is included in the ICFR insofar as it may have an impact on the financial information.

• Which of the entity's governing bodies supervises the process.

The process for identifying risks and assessing the design, effectiveness and suitability of the controls for generating financial information is documented at least once a year, and is overseen by the Internal Audit area.

Moreover, the Group's head of Internal Financial Control reports annually to the Audit Committee on analysis work that has been carried out, on the conclusions of the assessment of the control model relating to the generation of financial information, and on the process for downstream certification of the effectiveness of the control model. This process is undertaken by the financial officers of the main entities and holding control specialists. This work follows the SOX methodology in compliance with the legal requirements, under the regulation, on systems of internal control over financial reporting, and is included in Form 20-F, submitted annually to the SEC, as indicated in point F.1 above.

F.3 Control activities

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorisation of financial information and the description of the ICFR, to be published on the stock markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

All of the processes relating to the generation of financial information are documented, as is the corresponding control model, including potential risks associated with each process and the controls put in place to mitigate them. As explained in section F.2.1, the aforementioned risks and controls are recorded in the corporate tool STORM, which also includes the result of the assessment of the operation of the controls and the degree of risk mitigation.

In particular, the main processes relating to the generation of financial information are found in the Finance area, and they are: accounting, consolidation, financial reporting, financial planning and monitoring, and financial and tax management. The analysis of these processes, their risks and their controls is also supplemented by that of all other critical risks that may have a financial impact from business areas or other support areas.

In the aforementioned review procedures, special attention is paid, from a control point of view, to the financial and tax-related information disseminated to the securities markets, including the specific review of controls on relevant judgements, estimates and projections used in the preparation of the above-mentioned information.

As noted in the annual financial statements, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income, expenses and commitments should be recorded. These estimates are mainly related to:

- The value corrections of certain financial assets.
- The assumptions used to quantify certain provisions and in the actuarial calculation of liabilities and commitments for post-employment and other obligations.
- The useful life and impairment losses of tangible and intangible assets.
- The appraisal of goodwill and assignments of the price paid in business combinations.
- The fair value of certain unlisted assets and liabilities.
- The recoverability of deferred tax assets.

These estimates are made based on the best information available on the closing date of the financial statement and, together with other relevant issues for the closing of the annual and six-monthly financial statements, are analysed and authorised by a Technical Committee.

F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to drawing up and publishing financial information.

The Group's current internal control model has expanded the catalogue of technological risks managed as non-financial risks to three distinct categories:

- ✓ Physical Security: covers risks from inadequate management of the physical security of assets (including technology) and individuals due to the damage and deterioration of such assets.
- ✓ Technological Security: covers risks from inadequate management of technology changes, IT system failures, low availability and IT performance risk, IT system integrity risk, application tampering fraud, and logical impersonation.

- ✓ Information and Data Security: covers risks from unauthorised access, modification or destruction of data infrastructure, loss, theft or misuse of information and cyberattacks that affect the privacy, confidentiality, availability, and integrity of information.

The internal control models therefore include procedures and controls regarding the operation of information and access security systems, the segregation of functions, and the development and modification of computer applications used to generate financial information.

Both types of control are identified in the model of internal control over financial reporting and are analysed and assessed periodically, in order to guarantee the integrity and reliability of the information drawn up.

With all these mechanisms, the BBVA Group can confirm that adequate management of access control is maintained, the correct and necessary steps are taken to put applications into production as well as ensuring their subsequent support, the creation of backup copies, and assurance of continuity in the processing and recording of operations.

In summary, the entire process of preparing and reporting financial information has established and documented the procedures and control models for technology and IT systems necessary to provide reasonable assurance of the correctness of the BBVA Group's public financial information.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties and those aspects of evaluation, calculation and assessment outsourced to independent experts which may materially impact the financial statements.

The internal control model sets out specific controls and procedures for the management of subcontracted activities or those aspects of evaluation, calculation and assessment of assets or liabilities outsourced to independent experts.

There is a specialist area of risk arising in operations with third parties ("third party"), a regulation and a committee for non-financial operational risk admission, which includes outsourcing-related matters and establishes and supervises the requirements to be fulfilled at the Group level for the activities to be subcontracted.

There are procedural manuals for the outsourced financial processes that identify the procedures to be followed and the controls to be applied by the service provider units and outsourcing units. The controls established in the outsourced processes concerning the generation of financial information are also tested by the Internal Financial Control area.

The valuations from independent experts used for matters relevant for generating financial information are included within the standard circuit of review procedures executed by internal control, internal auditing and external auditing.

F.4 Information and communication

Give information on the main features, if at least the following exist:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policy department or area) and resolving queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organisation, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The organisation has two Technical Committees: one for Accounting and one for Capital. The purpose of these committees is to analyse, study and issue standards that may affect the compilation of the Group's financial and regulatory information, to determine the accounting and solvency criteria required to ensure that transactions are booked correctly, and to calculate capital requirements within the framework of the applicable standards.

The Group also has an Manual for Accounting Policies, which is updated and made available to all Group units by means of the Intranet. This Manual is the tool that guarantees that all the decisions related to accounting policies or specific accounting criteria to be applied in the Group are supported and are standardised. It is approved by the Technical Accounting Committee and is documented and updated for use and analysis by all the Group's entities.

F.4.2. Mechanisms to capture and prepare financial reporting in standardised formats, for application and use by all of the units of the entity or the group, that support the main financial statements and the notes, and the detailed information on ICFR.

The BBVA Group's Finance area and the countries' financial management units are responsible for the processes for preparing financial statements in accordance with the current accounting and consolidation manuals. There is also a consolidation computer application that collects the accounting information of the various companies within the Group and performs the consolidation processes, including the standardisation of accounting criteria, aggregation of balances and consolidation adjustments.

Control measures have also been implemented in each of the aforementioned processes, both locally and at consolidated level, to ensure that all the data supplying the financial information is collected in a comprehensive, exact and timely manner. There is also a single and standardised financial reporting system that is applicable to and used by all the Group units and supports the main financial statements and the explanatory notes. There are also control measures and procedures to ensure that the information disclosed to the markets includes a sufficient level of detail to enable investors and other users of the financial information to understand and interpret it.

F.5 Supervision of the system's operation

Give information on the key features of at least:

F.5.1. The ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function with powers that include providing support to the audit committee in its task of supervising the internal control system, including the ICFR. Likewise, information will be given on the scope of the ICFR assessment carried out during the financial year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on financial reporting has been considered.

The internal control units of the business areas and of the support areas conduct a preliminary assessment of the internal control model, assess the risks identified in the processes, the effectiveness of controls, and the degree of mitigation of the risks, as well as identifying weaknesses, and designing, implementing and monitoring the mitigation measures and action plans.

The first assessment of the effectiveness of the controls should be carried out by the RCA (Risk Control Assurer). Later it is the RCS (Risk Control Specialist –second line of defence-) who must challenge the design and operation of the controls in order to issue a conclusion on the operation of the control model on the risks covered by its field of expertise.

BBVA also has an Internal Audit unit that supports the Audit Committee with regard to the independent supervision of the internal financial information control system. The Internal Audit function is entirely independent of the units that draw up the financial information.

All the weaknesses in controls, mitigation measures and specific action plans are documented in the corporate tool STORM and submitted to the internal control and operational risk committees of the areas, as well as to the local or global Corporate Assurance Committees, based on the significance of the detected issues.

In summary: both the weaknesses identified by the internal control units and those detected by the internal or external auditor have an action plan in place to correct or mitigate the risks.

During the 2019 financial year, the areas responsible for Internal Control conducted a full assessment of the system for internal control over financial reporting, and, to date, no material or significant weakness have been revealed therein affecting the drawing up of financial information.

Additionally, in compliance with the SOX, the Group's Internal Control and Internal Auditing areas annually assesses the effectiveness of the model of internal control over financial reporting on a group of risks (within the perimeter of SOX companies) that could affect the drawing up of financial statements at local and consolidated levels. This perimeter incorporates risks and controls in Finance and other specialisms that are not directly financial (technology, risks, operational processes, human resources, procurement, legal, etc.). The results of this assessment are reported annually to the Audit Committee.

F.5.2. Whether there is a discussion procedure via which the auditor (in line with the auditing technical standards), the internal audit function and other experts can inform senior management and the audit committee or the entity's directors of significant weaknesses in the internal control encountered during the review processes for the annual financial statements or any others within their remit. Also provide information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

As described in section F.5.1 above, the Group has a procedure in place whereby the internal auditor and the heads of Internal Financial Control report to the Audit Committee any significant internal control weaknesses detected in the course of their work. Any significant or material weaknesses, if present, will likewise be reported. Similarly, there is a procedure whereby the external auditor reports to the Audit Committee the result of their work assessing the system for internal control over financial information.

Since BBVA is listed with the SEC, the BBVA Group's auditor annually issues its opinion on the effectiveness of the internal control over financial reporting contained in the Group's consolidated annual financial statements on 31 December each year, under PCAOB (Public Company Accounting Oversight Board) standards, with a view to filing the financial information with the SEC on Form 20-F. The latest report issued on the financial information for the 2018 financial year is available on www.sec.gov and www.bbva.com.

All control weaknesses identified by the Internal Control, Internal Audit and external audit areas have an action plan for their resolution that is also presented to the Audit Committee.

The internal control oversight carried out by the Audit Committee, described in the Audit Committee Regulations published on the Group website, www.bbva.com, includes the following activities:

- Analyse, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as in all other required financial information and related non-financial information. For this purpose, the Committee will have the support it needs from the Group's Senior Management especially that of the area responsible for accounting functions, and from the Company and Group auditor, as well as all the necessary information made available to it with the level of aggregation deemed appropriate.

- Review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.

- Monitor the effectiveness of the Company's internal control as well as its risk management systems, in terms of the process of preparing and reporting financial information, including tax-related risks, and discuss with the auditor any significant weaknesses detected in the internal control system during the audit, without undermining its independence. For such purposes, and where appropriate, the Committee may submit recommendations or proposals to the Board of Directors, along with the deadline for their follow-up.

- Analyse and, where appropriate, approve the annual work plan for the Internal Audit area, as well as any other occasional or specific plans to be implemented as a result of regulatory changes or as required for organisation of the Group's business.

- Be apprised of the audited units' degree of compliance with corrective measures previously recommended by the Internal Audit area and inform the Board of those cases that may involve a significant risk for the Group.

The external auditor and the head of Internal Audit attend all regular meetings of the Audit Committee to report on and, where appropriate, find out about the matters discussed within their respective remits.

F.6 Other relevant information

F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor for review, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

The information related to the BBVA Group's internal control over financial reporting described in this report is reviewed by the external auditor, which issues its opinion on the control system and on its effectiveness in relation to the accounts published at the close of each financial year.

On 28 March 2019, the BBVA Group, as a private foreign issuer in the United States, filed the Annual Report (Form 20-F) for the financial year ending on 31 December 2018, which was published on the SEC website on that same date.

In accordance with the requirements set out in Section 404 of the Sarbanes-Oxley Act of 2002 by the Securities and Exchange Commission (SEC), the aforementioned Annual Report Form 20-F, included certification of the top executives in the Group with regard to the establishment, maintenance and assessment of the Group's system of internal control over financial reporting. The Form 20-F report also included the opinion of the external auditor regarding the effectiveness of the Company's internal control system over financial reporting at the close of the 2018 financial year.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

If any recommendations are not being followed or are only being followed in part, a detailed explanation of the reasons for this should be given so that shareholders, investors and the market in general have sufficient information to assess the actions of the company. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

COMPLIANT

2. When a parent and subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

NOT APPLICABLE

3. During the annual general meeting the chairman of the Board of Directors should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes that have taken place since the previous annual general meeting.

b) The specific reasons for the company not following a given Corporate Governance Code recommendation, and any alternative procedures followed in its stead.

COMPLIANT

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

COMPLIANT

5. The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a Board of Directors approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

PARTIALLY COMPLIANT

The General Shareholders' Meeting held on 17 March 2017 delegated to the Board of Directors a power to increase share capital and issue convertible securities, along with the power to wholly or partially exclude pre-emptive subscription rights in respect of capital increases and issues of convertible securities carried out using such delegated power. The power to exclude pre-emptive subscription rights is limited, overall, to 20% of share capital as of the time of the delegation, except for the issuance of contingently convertible securities, the conversion of which is intended to meet regulatory solvency requirements as to eligibility as capital instruments in accordance with applicable regulations, since such instruments do not dilute the interests of shareholders.

6. Listed companies that draft the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the Ordinary General Meeting, even when their publication is not mandatory:

a) Report on auditor independence.

b) Reports on the operation of the audit committee and the appointments and remuneration committee.

c) Audit committee report on related-party transactions.

d) Report on corporate social responsibility policy.

COMPLIANT

7. The company should broadcast its general shareholders' meetings live on its website.

COMPLIANT

8. The audit committee should ensure that the Board of Directors can present the company's accounts to the general shareholders' meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chair of the audit committee and the auditors should give a clear account to shareholders of the scope and content of such limitations or qualifications.

COMPLIANT

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend the general shareholders' meeting and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

COMPLIANT

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general shareholders' meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the attendance card template and proxy appointment or remote voting form, duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

NOT APPLICABLE

11. In the event that a company plans to pay for attendance at the general shareholders' meeting, it should first establish a general, long-term policy in this respect.

NOT APPLICABLE

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided by corporate interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

COMPLIANT

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

COMPLIANT

14. The Board of Directors should approve a director selection policy that:

a) Is concrete and verifiable;

b) Ensures that appointment or re-appointment proposals are based on a prior analysis of the needs of the Board of Directors; and

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of the needs of the Board of Directors should be contained in the supporting report from the Appointments Committee published upon the calling of the General Shareholders' Meeting at which the appointment or re-appointment of each director is to be submitted for ratification.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors by 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

COMPLIANT

15. Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

COMPLIANT

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.

COMPLIANT

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of board places.

COMPLIANT

18. Companies should disclose the following director particulars on their websites and keep them up to date:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Date of their first appointment as a board member and subsequent re-appointments.

e) Shares held in the company, and any options on the same.

COMPLIANT

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital, and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others at whose request proprietary directors were appointed.

NOT APPLICABLE

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

NOT APPLICABLE

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a report from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

COMPLIANT

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the company's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of Directors of any criminal charges brought against them and any subsequent legal proceedings.

The moment a director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board of Directors should give a reasoned account of all such determinations in the annual corporate governance report.

COMPLIANT

23. Directors should express their clear opposition when they feel a proposal submitted to the Board of Directors might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the Board of Directors makes material or repeated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the Board of Directors, even if he or she is not a director.

COMPLIANT

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board of Directors. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

COMPLIANT

25. The appointments committee should ensure that non-executive directors have sufficient time available to fulfil their responsibilities effectively.

The regulations of the Board of Directors should lay down the maximum number of company boards on which directors can serve.

COMPLIANT

26. The Board of Directors should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the financial year, to which each director may propose the addition of initially unscheduled items.

COMPLIANT

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

COMPLIANT

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

COMPLIANT

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

COMPLIANT

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

COMPLIANT

31. The agendas of board meetings should clearly indicate on which points the Board of Directors must arrive at a decision, so that directors can study or gather together the information they need beforehand.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

COMPLIANT

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

COMPLIANT

33. The chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and co-ordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

COMPLIANT

34. When a Lead Director has been appointed, the bylaws or regulations of the Board of Directors should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the chairman and vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and co-ordinate the chairman's succession plan.

COMPLIANT

35. The secretary of the Board of Directors should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

COMPLIANT

36. The full Board of Directors should conduct an annual evaluation, adopting, where necessary, an action plan to correct weaknesses detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the Chairman of the Board of Directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairs of board committees.

The evaluation of board committees should start from the reports they send the Board of Directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

COMPLIANT

37. When an executive committee exists, its membership mix by director class should resemble that of the Board of Directors. The secretary of the board should also act as secretary to the executive committee.

PARTIALLY COMPLIANT

The current composition of BBVA's Executive Committee was agreed by the Board of Directors at its meeting on 29 April 2019, and it was considered that it had the most suitable composition for the performance of its functions.

Thus, in accordance with Article 30 of the Regulations of the Board of Directors, which establishes that there should be a majority of non-executive directors over executive directors, the Executive Committee, as of 31 December 2019, partially reflects the participation of the different classes of director on the Board of Directors; the Chairman and Secretary of the Executive Committee hold the same positions on the Board of Directors, and it is composed of two executive directors and four non-executive directors, of whom one is an independent director and three are other external directors, resulting in a majority of non-executive directors in accordance with the Regulations of the Board of Directors.

38. The Board of Directors should be kept fully informed of the matters discussed and decisions made by the executive committee, and all board members should receive a copy of the committee's minutes.

COMPLIANT

39. All members of the audit committee, particularly its chair, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

COMPLIANT

40. There should be a unit in charge of the internal audit function, under the supervision of the Audit Committee, to monitor the effectiveness of reporting and internal control systems. This unit should report functionally to the board's non-executive chair or the chair of the audit committee.

COMPLIANT

41. The head of the unit handling the internal audit function should present an annual work plan to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each financial year.

COMPLIANT

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

   a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-appointment and dismissal of the head of the internal audit service; propose the service's budget; approve its priorities and work plans, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management is acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any potentially significant irregularities that they detect within the company, in particular financial or accounting irregularities.

2. With respect to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the full Board of Directors to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

PARTIALLY COMPLIANT

With respect to the function set out in section 1.c) of this recommendation, the Audit Committee established and supervised the mechanism to which this recommendation refers until April 2019, from which time this function was assigned to the Risk and Compliance Committee, which is set up to assist the Board of Directors in overseeing the Compliance function and promoting a risk and compliance culture in the Group. This Risk and Compliance Committee is composed exclusively of non-executive directors, the majority of whom are independent directors, including the Chair.

This function is therefore included in Article 5.18 of the Regulations of the Risk and Compliance Committee, whereby this Committee has the function of "*reviewing and supervising the systems under which Group professionals may confidentially report any irregularities in the field of financial information or other matters*".

The foregoing is without prejudice to the fact that, should the communications referred to in this recommendation occur, they are also transferred to the Audit Committee for analysis and supervision, in accordance with the provisions of Article 31.10 of the Regulations of the Board of Directors, which sets out the coordination system between the Board committees so that they can better carry out their functions.

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another manager.

COMPLIANT

44. The audit committee should be informed of any structural or corporate changes the company is planning, so the committee can analyse the operation and report to the Board of Directors beforehand on its economic conditions and accounting impact and, in particular and when applicable, the exchange ratio proposed.

COMPLIANT

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

COMPLIANT

46. Companies should establish an internal risk control and management function in the charge of one of the company's internal departments or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

COMPLIANT

47. Appointees to the appointments and remunerations committee – or to the appointments committee and the remunerations committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of members should be independent directors.

COMPLIANT

48. Large cap companies should operate separately constituted appointments and remunerations committees.

COMPLIANT

49. The appointments committee should consult with the Chairman of the Board of Directors and the company's chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any of the directors may approach the appointments committee to propose candidates that they might consider suitable.

COMPLIANT

50. The remunerations committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the Board of Directors the basic contractual conditions for senior managers.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the company.

d) Ensure that potential conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on directors' and senior managers' remuneration contained in corporate documents, including the annual report on the remuneration of directors.

COMPLIANT

51. The remunerations committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior managers.

COMPLIANT

52. The terms of reference of supervision and control committees should be set out in the regulations of the Board of Directors and aligned with those governing legally mandatory board committees as specified in the preceding recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The Board of Directors should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's tasks; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

COMPLIANT

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the Board of Directors under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

COMPLIANT

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, related risks and their management.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

COMPLIANT

55. The company should report on corporate social responsibility developments in its management report or in a separate document, using an internationally accepted methodology.

COMPLIANT

56. Director remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

COMPLIANT

57. Variable remuneration linked to the company's and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension and retirement plans and other social pension systems should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

58. In the case of variable remuneration, remuneration policies should include limits and technical safeguards to ensure such remuneration reflects the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the sustainability of the company and include non-financial criteria that are sufficient for long-term value creation, such as compliance with the company's internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

COMPLIANT

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

COMPLIANT

60. Remuneration linked to company earnings should take into account any qualifications stated in the external auditor's report that reduce the amount of such earnings.

COMPLIANT

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

COMPLIANT

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

COMPLIANT

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that the director has met the predetermined performance criteria.

COMPLIANT

H OTHER INFORMATION OF INTEREST

1. If there is any other aspect relevant to the corporate governance in the company or in the group entities that has not been addressed in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in the entity or its group, give a brief description of them.

2. This section may also include any other information, clarification or detail related to previous sections of the report if it is relevant and not reiterative.

In particular, indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided, if different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, identify the code in question and the date of signing. In particular, indicate whether it has signed up to the Code of Good Tax Practices of 20 July 2010.

The data in this report refers to the financial year ending 31 December 2019, except in those cases when another reference date is specifically stated.

Further to section A.2, Norges Bank informed the CNMV on 3 February 2020, that it had a holding of 3.066% of BBVA's share capital.

Further to section A.3, the percentage of direct voting rights held by non-executive directors through financial instruments corresponds to the number of "theoretical shares" accumulated as a result of the remuneration system with deferred delivery of shares approved by resolution of the General Shareholders' Meeting. In application of this resolution and in accordance with the BBVA Directors' Remuneration Policy, the Board of Directors annually allocates a number of "theoretical shares" to each non-executive director, corresponding to 20% of the annual cash remuneration received the previous financial year. These will be delivered, where applicable, after they leave their positions as directors for reasons other than serious dereliction of their duties. Details of the annual allocation carried out by the Board can be found in Notes 54 and 49 of the consolidated and individual annual financial statements for the 2019 financial year, respectively, regarding remuneration and other benefits received by the Board of Directors and members of the Bank's Senior Management.

For executive directors, the percentage of direct voting rights through financial instruments corresponds to the number of shares received as part of Annual Variable Remuneration (AVR) for previous financial years, which was deferred and is to be paid as of the date of this report, provided that the conditions for such are met. Thus, this includes the percentage corresponding to the deferred 50% of the 2016 AVR, which will vest in 2020 if conditions are met; the deferred 60% of the 2017 AVR, which will vest with the following payment schedule: 60% in 2021, 20% in 2022 and the remaining 20% in 2023; and the deferred 60% of the 2018 AVR, which will vest with the following payment schedule: 60% in 2022, 20% in 2023, and the remaining 20% in 2024. The final amount of this remuneration is subject to the applicable multi-year performance indicators, which may reduce the deferred amount, or even forfeit it, but never increase it. The final amount is also subject to the malus and clawback clauses set out in the remuneration policy applicable in each financial year.

Further to Section A.9, relating to income from treasury-share trading, Rule 21 of Circular 4/2017 and IAS 32, Paragraph 33, expressly prohibit the recognition, in the income statement, of gains or losses made through transactions carried out with its own capital instruments, including their issuance and redemption. Said profits and losses are directly booked against the company's net equity. The table of significant variations includes the date of entry of CNMV Model IV in the registries of that organism, model corresponding to the communications with treasury shares, and the reason for such communication.

Further to section A.12, there are no legal or statutory restrictions on the exercise of voting rights. Thus, in accordance with Article 31 of the Bylaws, each voting share will confer the right to one vote on the holder, whether present or represented at the General Shareholders' Meeting, regardless of its disbursement. There are also no statutory restrictions on the acquisition or transfer of shares in the Company's share capital.

However, as for the legal restrictions on the acquisition or transfer of shares in the company's share capital, Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("Act 10/2014") establishes that the direct or indirect acquisition of a significant holding (as defined in Article 16 of Act 10/2014) in a credit institution is subject to assessment by the Bank of Spain as set out in Articles 16 et seq. of Act 10/2014. Additionally, Article 25 of Royal Decree 84/2015, implementing Act 10/2014, establishes that the Bank of Spain shall evaluate proposals for acquisitions of significant shares and submit a proposal to the European Central Bank regarding whether to oppose this acquisition or not. This same article establishes the criteria that should be considered during said evaluation and the applicable timelines.

Further to Section C.1.5, within the framework of the continuous Board refreshment process, the Appointments and Corporate Governance Committee, in performing its functions, has in recent years put in place different selection processes for directors, aimed at identifying the most suitable candidates at all times, based on the needs of the corporate bodies, which favour diversity in experience, knowledge, skills and gender, as well as a level of independence of the Board.

The Board of Directors therefore has a diverse composition, combining people with extensive financial and banking experience and knowledge with profiles that have experience and knowledge in various areas that are of interest to the Bank and its Group, such as auditing, legal and academic fields, multinational business, digital businesses and technology, both nationally and internationally. This enables the Board as a whole to have a suitable balance in its composition and suitable knowledge of the Bank's and the Group's environment, activities, strategies and risks, contributing to a better performance of its functions.

In the framework of the Board refreshment process, and taking into account the analysis of the structure, size and composition of the Board, the Committee has carried out in 2019 a selection process for Board members, based on the principles set in the Board Regulations and in the Selection Policy. As a result, the proposal of three new members (two of them as independent directors and one of them as external director), as well as the re-election of two directors (one as independent director and one as external director), will be submitted to the 2020 General Meeting.

These new appointments, as well as the re-elections, if approved by the General Meeting, will contribute to achieve the targets established in the Selection Policy, which provides that the Board should have at least 50% of independent directors and that, in 2020, at least 30% of directors should be female directors. This would in turn increase the diversity in the Board in terms of knowledge, international experience and nationality.

Likewise, this also considers the composition of the different Board committees that assist the Board in the performance of its functions and which constitute a key element of BBVs Corporate Governance System. This also assesses that the corporate bodies have a suitable and diverse composition, combining individuals who have experience and knowledge of the Group, its businesses and the financial sector in general with others who have training, skills, knowledge and experience in other areas and sectors that enable the right balance to be attained in the composition of Corporate bodies to improve operation and performance of their functions.

This allows the Board of Directors and its committees to have suitable compositions that are always adapted to their needs, so they can therefore perform their functions effectively.

Also, in accordance with the provisions of Article 540 of the Corporate Enterprises Act, which stipulates that a brief description of the diversity policy, with regard to directors and to members of management, must be provided, BBVA has a selection and appointment policy for members of Senior Management. Said policy is designed to ensure that individuals in Senior Management positions at BBVA have the capacity to properly exercise the responsibilities conferred upon them. Thus, members of BBVA Senior Management must have top-level academic and technical qualifications, professional skills—underpinned by their professional careers to date—applicable to the responsibilities associated with the role to be fulfilled, a recognised honourable business and professional reputation, and commitment to BBVA's values.

Thus, pursuant to the provisions of this policy on the assessment of internal talent, performance is assessed in terms of the achievement of objectives, potential to assume greater responsibilities in the future, and individuals' professional capabilities and skills. These assessments may be supported by means of review sessions during which members of Senior Management analyse the profiles of certain employees and share their opinions on the achievements and strengths of each individual. Moreover, for the selection of external candidates for senior management positions, references and top-level executive search firms are used. The Talent & Culture area ensures that external candidates possess top-level academic and technical qualifications, that their professional careers to date adequately encompass the responsibilities associated with the roles to be fulfilled, that they have recognised business and professional reputations, and that, during their careers at other organisations, they have demonstrated a high level of alignment with BBVA's values. The candidates identified through the company's external selection process are considered alongside internal candidates, in order to select the individual that best fits the role to be fulfilled.

Moreover, in accordance with the Regulations of the Board, the BBVA Board of Directors is responsible for appointing members of Senior Management based on a proposal from the Appointments and Corporate Governance Committee. Prior to the proposal and appointment of members of Senior Management, the Bank follows a selection process that is governed by the aforementioned principles and criteria, and that comprises the following stages: (i) review and analysis of the duties to be performed in the position, and the profiles of the candidates best suited to assume the position – this process ends with the preliminary selection of a candidate to assume the position; (ii) assessment by the Suitability Committee of the suitability of the proposed candidate, in accordance with the specific procedure established by the Bank in that regard; (iii) submission, if the candidate is considered suitable, of the proposed appointment to the Appointments and Corporate Governance Committee in order for the latter to prepare its report to the Board of Directors; and (iv) submission of the proposal to the Board of Directors for approval, with said proposal accompanied by the favourable report of the Appointments and Corporate Governance Committee.

The appointment of senior managers will be based on the proposal of the Group Executive Chairman for those who report thereto, and of the Chief Executive Officer, prior information to the Group Executive Chairman. On the other hand, the Board of Directors will be responsible for the appointment and dismissal of the head of the Internal Audit function, based on a proposal from the Audit Committee, and the Head of Regulation & Internal Control, on a proposal from the Risk and Compliance Committee, as well as the determination of their objectives and assessment of their performance, on a proposal from the corresponding committee.

Further to Section C.1.6, regarding the selection process carried out in 2019, it has followed the criteria included in the Selection Policy, and it has thus favoured diversity of experience, knowledge, skills and gender; does not suffer from implicit biases that may involve any kind of discrimination; and has included women who could meet the professional profile.

Therefore, as described in Section C.1.5 above, and as a result of the 2019 selection process for directors and of the related proposals for appointment and re-election of directors submitted to the 2020 General Meeting, if approved, the 2020 target set in the Selection Policy would be achieved, regarding that the number of female directors represent, at least, 30% of the total Board members.

Further to Section C.1.7, the aim of this selection process has been to identify the most adequate candidates at any given time, depending on the needs of the corporate bodies, the circumstances and changes that may take place in the Bank, its corporate bodies and its environment. The process favours diversity of experiences, knowledge, skills and gender, and has not been affected by implicit bias that may have entailed any kind of discrimination. Moreover, a firm specialised in the search of potential candidates has provided expert advice on the process, ensuring, therefore, the highest professionalism and independence in the process.

Likewise, the process has taken into consideration the number and profile of directors whose term of offices (three years) ends on financial year 2020, so that the corresponding proposals of appointment or reappointment may be submitted to the consideration of the next Annual General Shareholders' Meeting.

Thus, the Committee has analysed the different profiles preselected, has decided which candidates would, preliminarily, meet the Bank's needs, and has been able to assess the training and professional career of each candidate, as well as their main professional and personal skills, their vision on the Bank and the Group and their disposition to join the Board of Directors.

In view of all the above, the Committee has proceeded to submit its corresponding proposals and reports on the new directors' appointments to the General Shareholders' Meeting to be held in March 2020, as well as the ones regarding the reappointment of directors.

Finally, as stated before in sections C.1.5 and C.1.6., should the General Shareholders' Meeting to be held in March 2020 approve the corresponding appointment proposals submitted to its consideration as a consequence of the directors' selection process carried out in 2019, the objective established in the selection Policy that in 2020 the number of female directors represented should be, at least, 30% of the members of the Board of Directors, will be met. Likewise, the majority of independent directors would be reinforced, also taking into account the Selection Policy that states that the number of independent directors should be, at least, 50% of the total.

Further to Section C.1.9, the different Board Committees with oversight and control functions also have certain duties delegated by the Board of Directors, which are set forth in their corresponding regulations, available on the Bank's website.

Further to the information included in section C.1.13:

The amount included in the item "Remuneration of the Board of Directors accrued during the financial year" corresponds, in accordance with the instructions of this Report, with the amount declared as total remuneration accrued according to Table C) "Summary of remunerations" of section 2.3 (Statistical Appendix) of BBVA's Annual Report on the Remuneration of Directors, which includes: fixed and in-kind remuneration of executive and non-executive directors received in the 2019 financial year; the upfront part (40%) of 2019 Annual Variable Remuneration (AVR) for executive directors, in cash and monetised shares, to vest in 2020, if conditions are met; as well as the deferred part (50%) of 2016 AVR, in cash and in monetised shares, together with its corresponding update, to vest in 2020, if conditions are met.

An individual breakdown of these amounts for each director can be found in Notes 54 and 49 of BBVA's consolidated and individual annual financial statements for the 2019 financial year, respectively.

For the purpose of calculating the cash value of the shares corresponding to the upfront part of 2019 AVR for the executive directors, the average closing price of the BBVA share for the trading sessions between 15 December 2019 and 15 January 2020 inclusive, has been taken as reference, which, in accordance with the BBVA Directors' Remuneration Policy, is the criterion used to determine the portion of the 2019 AVR payable in shares. This price stood at EUR 5.03 per share. Similarly, the same average price has been taken for the purpose of calculating the cash value of the shares corresponding to the deferred part of 2016 AVR (i.e. EUR 5.03 per share). The price used to determine the initial number of shares of the deferred part of 2016 AVR was, pursuant to the applicable policy, the closing price of the BBVA share for the trading sessions between 15 December 2016 and 15 December 2017 inclusive (EUR 6.43 per share).

With regard to the "Amount of entitlements accrued by current directors in regard to pensions" indicated in section C.1.13 of this Report, as at 31 December 2019, the Bank had undertaken pension commitments in favour of the Group Executive Chairman and the executive director Head of Global Economic & Public Affairs to cover contingencies of retirement, disability and death in accordance with the provisions of the Bylaws, the BBVA Directors' Remuneration Policy and the directors' respective contracts with the Bank. In the case of the Chief Executive Officer, the Bank has not made retirement commitments, but has made commitments to cover disability and death contingencies, in accordance with the BBVA Directors' Remuneration Policy and its contract with the Bank.

The main characteristics of the pension system are detailed in the BBVA Directors' Remuneration Policy, and are, inter alia: they are defined contribution schemes; they do not provide for the possibility of receiving the retirement pension in advance; and 15% of the agreed contributions will be considered "discretionary pension benefits", in accordance with applicable regulations. These are included in Notes 54 and 49 of BBVA's consolidated and individual annual financial statements for the 2019 financial year, respectively, which also include the amount of accrued entitlements by the Group Executive Chairman and the executive director Head of Global Economic & Public Affairs.

The balance of the item "Provisions – Funds for pensions and similar obligations" on the Group's consolidated balance sheet at 31 December 2019 includes EUR 72 million as post-employment provision commitments maintained with former members of the Board of Directors.

Further to the information included in section C.1.14:

The item "Total remuneration of Senior Management" includes the remuneration of members of Senior Management (15 member as at 31 December 2019, excluding executive directors) includes: the fixed and in-kind remuneration received in the 2019 financial year; the initial part of 2019 AVR, both in cash and monetised shares, to vest in 2020, if conditions are met; as well as the deferred part of 2016 AVR, in cash and in monetised shares, together with their corresponding update, to vest in 2020, if conditions are met. The cash value of the shares have been calculated at the same price as indicated for executive directors (i.e. EUR 5.03 per share; see section C.1.13).

The main characteristics of the pension systems for this group are: they are defined contribution schemes; they do not provide for the possibility of receiving the retirement pension in advance; and 15% of the agreed contributions will be considered "discretionary pension benefits", in accordance with applicable regulations.

The above concepts are included in Notes 54 and 49 of BBVA's consolidated and individual annual financial statements for the 2019 financial year, respectively.

The balance of the item "Provisions – Funds for pensions and similar obligations" on the Group's consolidated balance sheet at 31 December 2019 includes EUR 278 million as post-employment provision commitments maintained with former members of the Bank's Senior Management.

In addition, the positions as BBVA senior managers of Pello Xabier Belausteguigoitia Mateache and Joaquín Manuel Gortari Díez are pending registration in the Register of Senior Officers of the Bank of Spain, as at the date of this Report, pursuant to applicable regulations.

Further to Section C.1.17, the assessment carried out by the Board of Directors regarding the quality and efficiency of the operation of the committees, based on reports submitted by their respective chairs, as well as the assessment of the Executive Committee, are described below:

- The different committees have regularly reported the Board of Directors on the activities carried out and the resolutions adopted by each of the committees, in execution of their functions provided in their regulations, approved by the Board of Directors on 29 April 2019. This has ensured that all directors have a full understanding of the work being undertaken by the various Board committees.

- In addition to the above, at its meeting held on 27 November 2019, the Board received the report by the Chairman on the activity carried out by the Technology and Cybersecurity Committee in 2019 regarding the various areas within its remit, such as the technology and cybersecurity strategy, the plans, policies and management of cybersecurity, or the monitoring and control of technological risks, among other matters.

- At its meeting held on 19 December 2019, the Board received the report by the Chair of the Risk and Compliance Committee on its activities throughout the 2019 financial year. The report detailed the tasks performed by the Committee in its ongoing monitoring and oversight of the risks faced by the Group and adequacy with approved strategies and policies, as well as the oversight of regulation, internal control and compliance.

- At its meeting held on 30 January 2020, the Board received the report by the Chair of the Audit Committee on the activities of the Committee during 2019. This included its role of overseeing the preparation of financial statements and the application of accounting criteria, the sufficient, adequate and effective operation of internal control systems in the preparation of financial information, or the planning, progress and depth of external auditor tasks, as well as Internal Audit.

- At its meeting held on 30 January 2020, the Board received the report by the Chair of the Appointments and Corporate Governance Committee on the activities undertaken by the Committee throughout 2019 in terms of its assigned duties, including its tasks relating to the appointment and re-election of directors, assessment of the Board of Directors, the Chairman of the Board and Chief Executive Officer or the review of BBVA Corporate Governance System, among others.

- At its meeting held on 30 January 2020, the Board received the report by the Chair of the Remunerations Committee on the activities undertaken by the Committee throughout 2019, reporting, among other matters, on the tasks performed by the Committee relating to the preparation and implementation of the proposed resolutions submitted to the Board regarding remuneration matters, particularly those relating to the remuneration of executive directors and Senior Management, Identified Staff and BBVA Group.

- Finally, at its meeting held on 30 January 2020, the Board of Directors received the report by the Chairman on the activity carried out by the Executive Committee during 2019, detailing, among other activities, the Committee's work in support of the Board of Directors in decision-making regarding strategy and finance, development or implementation of decisions taken by the Board in the areas of strategy, budgets or finance, oversight and monitoring of activity and results, strategic-prospective information, as well as selected projects, transactions and Group policies.

All of which has been taken into consideration by the Board of Directors during the assessment process carried out in respect of the 2019 financial year described in the preceding paragraphs.

Further to Section C.1.25, the Board of Directors resolved, at its meeting held on 29 April 2019, to appoint José Miguel Andrés Torrecillas as Deputy Chair of the Board of Directors, ceasing as Lead Director, position performed now by Juan Pi Llorens.

With regard to Section C.1.27, since BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities & Exchange Commission (SEC) and, thus, to compliance with the Sarbanes Oxley Act and its implementing regulations, and for this reason each year the Group Executive Chairman, the Chief Executive Officer and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (Form 20-F) which the Company files with this authority.

Further to Section C.2.1, the following is a brief indication of what the regulations establish regarding the composition and functions of each of the Board committees:

- Audit Committee: The Regulations of the Audit Committee establish that it shall consist of a minimum of four independent directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. In any event, at least one member will be appointed taking into account their knowledge and experience in accounting, auditing or both. As a whole, the Committee members will possess relevant technical expertise in the financial sector. The Board will, from amongst its members, appoint the

Chairman of this Committee, who must be replaced every four years and may be re-elected one year after the end of their term of office. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Appointments and Corporate Governance Committee: The Regulations of the Appointments and Corporate Governance Committee establish that it shall consist of a minimum of three directors, all of them non-executive and most of them independent, as well as its Chair. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board of Directors will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Remunerations Committee: The Regulations of the Remunerations Committee establishes that it must be comprised of a minimum of three non-executive directors and the majority, including the Chair, must be independent directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board of Directors will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Risk and Compliance Committee: The Regulations of the Risk and Compliance Committee establishes that it will consist of a minimum of three directors, appointed by the Board of Directors, who possess the appropriate knowledge, skills and experience to understand and control the Bank's risk strategy. All the members of the Committee must be non-executive directors, with its Chair and a majority of members being independent directors. The Board will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Technology and Cybersecurity Committee: The Regulations of the Technology and Cybersecurity Committee establish that the Committee shall consist of a minimum of three directors, most of whom shall be non-executive directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board will appoint the Chair of the Committee from amongst its members. When the Chair cannot be present, meetings will be chaired by the longest-serving director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- Executive Committee: Article 30 of the Regulations of the Board and the Regulations of the Executive Committee establishes that the Board of Directors may, in accordance with the Bylaws and with the favourable vote of two-thirds of its members, appoint an Executive Committee, composed of a minimum of four directors appointed by the Board of Directors, ensuring that there is a majority of non-executive directors over executive directors. The Chairman of the Board of Directors will be an ex-officio member of the Committee. The Secretary of the Board of Directors will hold the same position on the Committee. If absent, the Secretary will be replaced by the Deputy Secretary or the person appointed by the attendees of the relevant meeting.

Also, as a follow-up to the most important activities of the Board Committees and their organisational and operational rules as set out in paragraph C.2.1:

- Audit Committee: In terms of the most significant activities carried out by the Committee during the 2019 financial year, it analysed and oversaw the process of preparing and presenting financial and non-financial information related to the Bank as well as its consolidated Group from the annual, half-yearly and quarterly reports, in order to determine its accuracy, reliability, adequacy and clarity, prior to its submission to the Board. To this end, it focused particularly on the accounting policies and criteria used, and on any changes that may have been made to them (for example, those resulting from the entry into force of IFRS 16 and IAS 12).

  In particular, prior to their approval by the Board, the Committee oversaw the preparation of the individual and consolidated annual financial statements for the financial year, the half-yearly and quarterly financial statements, as well as other relevant financial information, including the CNMV Registration Document, US SEC Form 20-F, and the Prudential Relevance Report, among others.

  In addition, within the financial information oversight process, the Committee supervised the adequacy, appropriateness and effective operation of the internal control systems used in the preparation of financial information, including the tax systems, along with both internal reports and those of the external auditor on the effectiveness of the internal financial control.

  With regards to activities related to the external auditor, the Committee has maintained appropriate relationships with the heads of the external auditor, during each of the monthly meetings it has held, in order to ascertain the planning, status and progress of the work in connection with the audit of the Bank and Group's annual financial statements, of the interim financial statements, and of other financial information subject to review during the account auditing. It has also received and analysed the opinion reports and communications from the auditor required by account auditing legislation, among which: the work carried out on the Group's financial information, the external auditor's additional report for the Audit Committee, and the confirmations of its independence with regards to the Bank and other companies within its group.

  Similarly, in relation to the independence of the external auditor, the Committee has ensured that internal procedures are implemented to safeguard against situations that may give rise to independence conflicts. It has also verified declarations made by the external auditor concerning confirmation of its independence with regard to BBVA and its Group, and issued the corresponding reports in accordance with applicable legislation.

  Also, since the 3-year period for which KPMG had been appointed auditor for BBVA and its Consolidated Group at the General Meeting ended in 2019, the Audit Committee analysed and assessed the quality of the work performed by the auditor, submitting to the Board the proposal for its re-election as auditors for the Bank and its Group for 2020, which has been in turn submitted to the 2020 General Meeting.

  Likewise, the Audit Committee initiated a tender process for, where appropriate, the possible appointment of a new auditor from the 2021 financial year. Following the tender process, the Committee concluded that KPMG was the firm that could offer a high-quality service that was best suited to the current needs, and submitted to the Board its recommendation and preference for this auditing firm.

  With regards to Internal Audit tasks, the Committee approved the Annual Work Plan for Internal Audit for the financial year, overseeing the organisational measures set out in the Area for the performance of its functions; also approved the Strategic Plan that the Internal Audit area had drawn up for 2020-2024; provided ongoing monitoring and supervised the Area's activities and reports, ascertained the results of its most relevant work, identified any weaknesses and opportunities for improvement; and considered the recommendations proposed by the Internal Audit as a result of its review work. In the framework of the external assessment of the Internal Audit by an independent expert, the Committee oversaw the conclusions of the work carried out by the external expert in order to identify opportunities for improvement and best practices in the field.

In relation to the Compliance Area in the period prior to the approval of the amendments to the Committee Regulations, by which the functions regarding compliance were transferred to the Risk and Compliance Committee, the Committee reviewed the Area's activity, including the monitoring the results of its reviews and the degree of progress in the implementation of planned measures; the Criminal Risk Prevention Model; the follow-up of issues related to MiFID regulations; it was made aware of the main communications and inspections carried out by the Group's main supervisors, whether national or foreign, in relation to matters within their remit, as well as all those issues that may have arisen in this area of the Group's activity.

During the financial year, the Committee also reviewed the changes to the structure of the Group companies, provided ongoing monitoring of the main issues relating to the Group's tax risks, and supervised the Group's tax management along with the results of the inspection processes carried out on the matter.

Similarly, the Committee has been informed of major corporate transactions planned by the Group, monitoring the economic conditions and their main accounting impacts and issuing, prior to the decisions taken by the Board, the Committee's report on the transaction.

Lastly, during the Bank's General Shareholders' Meeting held in 2019, the Committee informed shareholders of the main issues related to the matters within its remit, including overseeing the process of preparing the Bank and Group's financial information, which had been provided to shareholders for their approval, the result of the account auditing and of the function that it had carried out in this matter, as well as the main issues related to the matters described in this section and other matters handled by the Committee.

Other functions entrusted to the Audit Committee are: (i) to inform the General Shareholders' Meeting on the questions raised in relation to the matters that are within the remit of the Committee and, in particular, on the result of the audit, explaining how the audit has contributed to the integrity of the financial information and the function performed by the Committee in this process; (ii) to be apprised of the reports, documents or communications from external supervisory bodies relating to the Committee's functions; and make sure that the instructions, requirements and recommendations of the supervisory bodies are fulfilled properly and on time; and (iii) to report on all matters within its remit as provided for by law, the Bylaws and the Regulations of the Board of Directors prior to any decisions that the Board of Directors may be required to adopt, and in particular on: financial information that the Company is required to publish; economic conditions and the accounting impact of relevant corporate transactions and structural modifications; the creation or acquisition of shares in special purpose vehicles or in entities domiciled in tax havens or territories considered to be tax havens; and related-party transactions.

Regarding organisational and operational rules, the operational principles of the Audit Committee are indicated in its Regulations, which lay down the basic rules of its organisation and operation.

In particular, the Audit Committee's Regulations stipulate that, inter alia, the Committee shall meet whenever it is called by its Chair, who is empowered to convene the Committee and to set the agenda for its meeting. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

Executives responsible for the areas that manage matters within the Committee's remit may be called to meetings, in particular, Accounting and Internal Audit areas, and, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed convenient. The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager. Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings, such as Bank managers and employees, be limited to those cases where it is necessary and to the items on the agenda for which they are called.

The Committee may, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be provided by experts or technical staff within the Group on grounds of specialisation or independence.

Other aspects relating to its organisation and operation will be subject to the provisions of the Committee's Regulations. All matters not provided for in the aforementioned Regulations will adhere to the Regulations of the Board of Directors, insofar as they are applicable.

- Appointments and Corporate Governance Committee: The Regulations of the Appointments and Corporate Governance Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. In particular, the Regulations of the Appointments and Corporate Governance Committee specifically provide that the Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings. The Regulations also set out the procedure for calling ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Group employee or manager, and even arrange for them to appear without the presence of any other manager, however, it will seek to ensure that that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects relating to its organisation and operation will be subject to the provisions of the Committee's Regulations. All other matters not provided in the Committee's Regulations will be in accordance with the Regulations of the Board of Directors insofar as they are applicable

  With respect to the Appointments and Corporate Governance Committee's most significant activities during the 2019 financial year, in the performance of their functions, the following were particularly noteworthy: the Committee's continuous analysis of the structure, size and composition of the Board of Directors, ensuring that they are suitable for the corporate bodies to best perform their duties; the analysis of the directors' compliance with the independence and suitability criteria and the absence of any conflicts of interest for the performance of their duties; the review performed on the Board's selection, appointment, rotation and diversity policy, which, together with the analysis of structure, size and composition, led to corresponding proposals and reports for the re-election and appointment of directors that in turn is to be submitted to the next General Shareholders' Meeting in March 2020. The committee also carried out an analysis of the assessment of the operation of the Board, the Executive Committee and the performance of the functions of the Chairman of the Board and the Chief Executive Officer, submitting their corresponding reports for consideration by the Board.

  In addition, within the framework of its duties relating to the Bank's Corporate Governance System, the Committee has carried out the quarterly monitoring and supervision of the progress made in implementing the changes made to the Bank's Corporate Governance System during the financial year; as well as the result of the corporate governance roadshow, where meetings were held with the Bank's main institutional investors and proxy advisors over the last months of 2019.

Finally, the Committee analysed the appointments and removals of senior managers that were proposed during the 2019 financial year, in compliance with the selection and appointment policy of the members of the Senior Management; and the Committee reviewed and verified the suitability of the proposed new senior managers, submitting their corresponding reports to the Board.

- Remunerations Committee: The Regulations of the Remunerations Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. In particular, the Regulations of the Remunerations Committee provide, inter alia, that the Remunerations Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings. The Regulations also and set out the procedure for calling ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call any other Group employee or manager, and even arrange for them to appear without the presence of any other manager. It will, however, seek to ensure that the presence of persons outside the Committee during its meetings be limited to those cases where it is necessary and to the items on the agenda for which they had been called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects relating to its organisation and operation will be subject to the provisions of the Committee's Regulations. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

  In regards to the most important activities carried out by the Remunerations Committee during the 2019 financial year, the Committee has been focused on performing the functions assigned to it pursuant to Article 5 of the Remunerations Committee's Regulations, as well as in execution of the framework established in the BBVA Directors' Remuneration Policy, approved by the General Meeting held in March 2019, and in the BBVA Group's Remuneration Policy approved by the Board of Directors in November 2017, which is generally applicable to all BBVA staff and which includes, in turn, the Remuneration Policy for the Identified Staff.

  Therefore, in the execution of its functions and of the remuneration policies mentioned, the Committee has analysed the following matters and, where appropriate, submitted the corresponding proposals to the Board for approval:

  Firstly, the Remunerations Committee analysed the approach for updating the BBVA Directors' Remuneration Policy approved by General Meeting held in 2017. This update included the new contractual conditions for the Group Executive Chairman and the Chief Executive Officer as a result of their appointment in December 2018, as well as certain additional technical improvements, maintaining in general terms, the remuneration system established in the previous remuneration policy.

  Therefore, the Committee submitted to the Board of Directors the proposal to update the BBVA Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years, along with the report on the Policy drawn up by the Committee and the proposal for the maximum number of shares to be issued to the executive directors in execution of such Policy, all of which was submitted to the General Meeting held on 15 March 2019.

  With regard to non-executive directors, the Committee analysed the remuneration of non-executive directors in view of the changes incorporated in BBVA Corporate Governance System, submitting to the Board proposals for establishing remuneration associated with the roles of Lead Director and Deputy Chair of the Board, and the revision of remuneration for the directors and chairs of the different Board committees, as a result of the redistribution of functions of certain committees as reflected in their corresponding regulations.

With regard to executive directors, the Committee submitted to the Board the proposals necessary for: determining the Annual Variable Remuneration ("AVR") for the 2018 financial year; determining the amount of the deferred part of the AVR for the 2015 financial year, as well as the amount of its updating; the scales of achievement for assessing the multi-year performance indicators applicable to the deferred 2018 AVR and the reference group of the Total Shareholder Return indicator that forms part of these indicators; the conditions for payment of the initial part of the 2018 AVR and the deferred part of the 2015 AVR; the novation of the Chairman's contract and the approval of the Chief Executive Officer's contract to adapt them to their new functions and positions, determining their remuneration conditions; determining the annual and multi-year performance indicators for the calculation of the 2019 AVR and their corresponding weightings; the objectives and achievement scales associated with the annual performance indicators for the 2019 AVR; and the minimum thresholds of Attributable Profit and Capital Ratio established for the accrual of 2019 AVR.

With regard to matters relating to Senior Management, the Committee has determined the basic contractual conditions applicable to the members of Senior Management appointed on 20 December 2018 and throughout the 2019 financial year, as well as the salary review of certain members of Senior Management. The Committee has also monitored the 2018 AVR of the members of Senior Management, as well as the deferred part of the 2015 AVR of the senior managers who are beneficiaries of that remuneration, payment of which corresponded in 2019. Moreover, and as a result of the fact that the heads of Internal Audit and Regulation & Internal Control now have to report to the Board, the Committee has submitted to the Board the proposed objectives and annual performance indicators to calculate 2019 AVR of the head of these functions, within the framework of the remuneration model applicable to Senior Management.

In terms of matters relating to the Identified Staff, including Senior Management, the Committee has determined that the multi-year performance indicators used to calculate the annual variable remuneration for 2019 and the scales of achievement used to calculate the deferred annual variable remuneration for 2018 should be the same as those established for executive directors.

As regards its function of ensuring compliance with the remuneration policies established by the Company, the Committee has reviewed the implementation of the approved remuneration policies (i.e. BBVA Directors' Remuneration Policy and the BBVA Group's Remuneration Policy, including the Remuneration Policy for the Identified Staff) and the procedure for identifying Staff, through the Internal Audit's annual report, and has also received information on the result of the process for identifying the Identified Staff within the BBVA Group during the 2019 financial year.

The Committee has also verified the information of remuneration of directors and senior managers contained in the financial statements and the Annual Report on the Remuneration of Directors for 2018.

Finally, the Committee has submitted the 2018 Annual Report on the Remuneration of Directors to the Board for its approval and subsequent submission to the General Shareholders' Meeting, and it has also proposed to the Board a resolution to increase the maximum variable remuneration level of up to 200% of the fixed component applicable to a specific number of members of the Identified Staff.

- Risk and Compliance Committee:

4. *Receive monthly information from the Head of Regulation & Internal Control regarding the activities carried out by said area, as well as regarding any incidents that may arise, and verify that the Group's Senior Management takes into account the conclusions and recommendations of their reports.*

The Risk and Compliance Committee has received monthly information from the head of Regulation & Internal Control regarding the activity carried out by each of the units that comprise that area, without prejudice to the periodic report received directly by the Committee from the heads of Compliance, Non-Financial Risks and Internal Risk Control, all of which fall under the Regulation & Internal Control area.

5. *Monitor the evolution of the Group's risks and their degree of compatibility with established strategies and policies, and with the Group's Risk Appetite Framework, and oversee procedures, tools and risk measurement indicators established at Group level to obtain a global view of the Bank's and the Group's risks. Likewise, monitor compliance with prudential regulation and supervisory requirements regarding risks. Furthermore, analyse, where appropriate, the measures envisaged to mitigate the impact of identified risks, should these materialise, to be adopted by the Executive Committee or the Board of Directors, as appropriate.*

   Throughout financial year 2019, the Risk and Compliance Committee monitored the evolution of the different risks to which the Group is exposed —both financial (credit risk, structural risks, market risk, insurance risk, etc.) and non-financial (operational risks)—, all of it within the framework of the BBVA Group's General Risk Management and Control Model and in accordance with the Risk Appetite Framework approved by the corporate bodies.

   To this effect, the Risk and Compliance Committee received and analysed information from the Risk and Regulation & Internal Control areas suitably frequently, and had the support of the Group's head of Global Risk Management, the head of Regulation & Internal Control, those in charge of each type of risk in the corporate field and the risk directors of the Group's main geographical areas; to which it should be added the direct interaction of the Committee with each of the speakers and the debates that may have arisen during its meetings.

   All of this afforded the Risk and Compliance Committee direct knowledge of the Group's risks, both globally and locally, allowing it to perform its duty of monitoring the evolution of the Group's risks, regardless of the type of risk, the geographical or business area in which it originates, and even the sector or portfolio to which it belongs.

   As part of this duty, the Risk and Compliance Committee also regularly monitored compliance with the metrics and limits established for financial year 2019, with the necessary detail and frequency to ensure adequate control of said indicators. To complete its control of the Risk Appetite Framework, the Committee received information about the key internal and external variables that affect the compliance of the Risk Appetite Framework, even if they are not directly part of it. All of this prior to its follow-up by the other corporate bodies with risk functions.

   In addition to the foregoing, the Risk and Compliance Committee has received monthly information on the main credit risk operations approved by the committees of the Risk area in their respective areas of competency, as well as the Group's most significant cases of credit exposure. Each month, the Risk and Compliance Committee also had access to information about the qualitative risk operations authorised by the Risk area.

6. *Analyse, within its remit, risks associated with projects that are considered strategic for the Group or with corporate operations to be submitted to consideration by the Board of Directors or, where appropriate, to consideration by the Executive Committee and, where necessary, submit the corresponding report.*

   The Risk and Compliance Committee has analysed, in advance, the financial and non-financial risks of corporate operations submitted for consideration by the Executive Committee.

7. *Analyse, prior to their submission to the Board of Directors or to the Executive Committee those risk operations to be submitted to their consideration*.

   During the 2019 financial year, no risk operations have been submitted for consideration by the Board of Directors or the Executive Committee, and therefore, the Risk and Compliance Committee has not had to perform this role in this financial year.

8. *Examine whether the prices of the assets and liabilities offered to customers fully take into account the Bank's business model and risk strategy and, if not, submit a plan to the Board of Directors aimed at rectifying the situation*.

   In 2019, the Committee received recurring information on the evolution of metrics and analysis in terms of profitability and capital, which evaluate the alignment of the resulting pricing in the financing and credit activity against the risk strategy and risk transfer in the Group.

   Additionally, the Committee monitored the profitability of portfolios and businesses and the performance of the profitability indicators incorporated into the Risk Appetite Framework of the Company. All of this enabled the Committee to confirm that the prices of the assets and liabilities offered to customers were aligned with the Bank's business model and risk strategy.

9. *Participate in the process of establishing the remuneration policy, ascertaining that it is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated by the Company*.

   The Committee has been involved in establishing the multi-year performance indicators of the variable remuneration and the corresponding scales of achievement, analysing their alignment with sound, effective and prudent risk management.

10. *Verify that the Company and the Group have means, systems, structures and resources that are consistent with best practices that enable them to implement their risk management strategy, ensuring that the Bank's risk management mechanisms are adequate in relation thereto. All of this, in coordination with the remaining Board Committees, within their respective remits*.

    The Committee was informed of the Risk area's structure, resources and incentive scheme as well as its means, systems and tools (including those in development stage), having verified that the Group has adequate resources in relation with its strategy.

11. *Report, prior to any decisions that may have to be made by the Board of Directors, on all matters within its remit as provided for in the law, the Bylaws, the Regulations of the Board of Directors and the Risk and Compliance Committee Regulations*.

    The Risk and Compliance Committee participated in the review of the Group's Recovery Plan with a view to assessing its alignment with the Risk Appetite Framework approved by the Group, with the help of the Risk and Finance areas, inter alia, before its submission and, if appropriate, approval by the appropriate corporate bodies.

    The Committee also fulfilled this function to the extent and according to the specified herein for each of its functions.

12. *Ensure compliance with applicable national and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to competition, and ensure that any requests for action or information made by official authorities on these matters are dealt with in due time and in an appropriate manner*.

13. *Be informed on any breach of the applicable internal or external regulations, as well as the relevant events that the areas reporting to the Committee may have identified within their oversight and control functions. Likewise, the Committee shall be informed on those issues related to legal risks which may arise in the course of Group's activity*.

14. *Examine draft codes of ethics and conduct and their respective modifications prepared by the corresponding area of the Group, and issue its opinion in advance of the proposals to be drawn up to the corporate bodies*.

    Regarding the functions outlined in paragraphs 12, 13 and 14 above, the Committee has regularly reviewed the Compliance area's activity over the course of the financial year, overseeing the results of its examinations and the degree of progress in the implementation of planned measures in the different areas of action (e.g. conduct, markets, anti-money laundering); the monitoring of issues relating to MiFID regulations and bank transparency; the receipt of the corresponding independent expert reports on compliance, as well as all those issues that may have arisen from the Group's activities in the area of compliance. The Committee has also been kept informed of the Annual Plan of the Compliance function approved, regularly assessing its degree of progress and achievement. Furthermore, the Committee has received information on the main legal risks to which the Group is currently exposed and has reviewed the Entity's activity regarding personal data protection.

15. *Be apprised of reports, documents or communications from external supervisory bodies, notwithstanding any communications made with the remaining committees with regard to their respective remits, and verify that the instructions, requirements and recommendations received from the supervisory bodies in order to correct the irregularities, shortfalls or inadequacies identified in the inspections performed are fulfilled in due time and appropriate manner*.

    The Committee was made aware of the major communications and inspections carried out by the Group's supervisory bodies, whether national or foreign, being informed, where appropriate, of the recommendations, weaknesses or areas of improvement identified, as well as the action plans and other measures established by the relevant executive areas in order to overcome them in time.

16. *Ensure the promotion of risk culture across the Group*.

    During the 2019 financial year, the Risk and Compliance Committee verified the progress and effectiveness of the various actions and initiatives drawn up by the Risk area to strengthen the risk culture in the Group, so as to enable employees to perform their functions in a secure environment, and to encourage the mitigation of risks to which their activities are exposed.

17. *Supervise the Group's criminal risk prevention model*.

    The Committee has also been informed of the main points of the BBVA Group's Crime Prevention and Criminal Risk Management Model, as well as its development and the main work lines in this regard.

18. *Review and supervise the systems under which Group professionals may confidentially report any irregularities in financial information or other matters*.

    The Committee has been informed by the head of the Compliance area —the unit responsible for promoting and ensuring, in an independent and objective manner, that BBVA acts with integrity, particularly in areas such as anti-money laundering, conduct with clients, security market conduct, anti-corruption and other areas that might pose a risk to BBVA's reputation— of the functioning of the whistleblowing channel, as well as of the noteworthy aspects of the area.

In terms of organisational and operation rules, the Regulations of the Risk and Compliance Committee set out the operational principles, which lay down the basic rules of its organisation and functioning.

In particular, the Risk and Compliance Committee's Regulations stipulate, inter alia, that the Committee shall meet whenever it is convened by its Chair, who is empowered to call the Committee meetings and to set their agenda. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

Executives responsible for the areas that manage matters within the Committee's remits may be called to meetings, in particular the Regulation and Internal Control area and Risks area, and, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call any other Bank employee or manager, and even arrange for them to attend without the presence of any other manager, while ensuring that the presence of persons outside the Committee during these meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be provided by experts or technical staff within the Group on grounds of specialisation or independence.

Other aspects relating to its organisation and operation will be subject to the provisions of the Committee's own Regulations. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

- The Technology and Cybersecurity Committee: Duties relating to the Technology Strategy are:

  – Being informed, as appropriate, of the technology strategy and trends that may affect the Bank's strategic plans, including through monitoring general industry trends.

  – Being informed, as appropriate, of the metrics established by the Group for management and control in the technological area, including the Group's developments and investments in this area.

  – Being informed, as appropriate, of issues related to new technologies, applications, information systems and best practices that may affect the Group's technological plans or strategy.

  – Being informed, as appropriate, of the main policies, strategic projects and plans defined by the Engineering Area.

  – Reporting to the Board of Directors and, where appropriate, to the Executive Committee, on matters related to information technologies falling within its remit.

  To ensure compliance with these duties, the Technology and Cybersecurity Committee has performed the following duties:

  – Technology strategy: The Committee has been informed by the Engineering area of the Group's technology strategy, as well as of the status and evolution of the various projects, systems, tools and developments integrated with the strategy, and receives a periodic report on the key performance indicators (KPIs) in this regard. The Committee has also been informed of the number of employees and level of investment required to effectively implement this strategy.

  – Development of new products and services: The Committee has been informed of the main projects that the Engineering area, together with the Group's business areas and the Client Solutions area, has implemented or is planning to implement in developing new products and digital services targeted at the Group's wholesale and retail customers.

  – Trend information: The Committee has received information regarding the main technological trends in the industry, and even in other important sectors, especially with regard to trends that may affect the Bank's strategic plans.

  Regarding the procedures and organisational and operational rules of the Technology and Cybersecurity Committee, the Committee's operational principles are indicated in its own Regulations, which lay down the basic rules of its organisation and operation.

In particular, the Technology and Cybersecurity Committee's Regulations stipulate that, inter alia, the Committee shall meet whenever it is called by its Chair, who is empowered to call the Committee and to set the agenda for its meeting. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Group employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

The Committee may, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

Other aspects of the organisation and operation of the Committee are included in the Regulations of the Committee. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

- Executive Committee: The main activities carried out by the Committee during the 2019 financial year included the monitoring of the monthly evolution of the Group and its business areas' activity and results, its crucial role in ensuring the integrity, coordination, consistency and coherence of the Group's strategic and prospective processes, such as the Strategic Plan, the Group's Risk Appetite Framework (RAF), the ICAAP, the ILAAP, the Budget and planning of liquidity and financing, taking into account aspects common to all processes, such as macroeconomic perspectives, the regulatory and supervisory framework and corporate operations, and driving the integration of the strategic bases established by the Board into all processes.

  Furthermore, the Committee has ensured the coherence and alignment of RAF with the strategy established by the Board of Directors and has reviewed and proposed the bases for the proposals upon which RAF has been drafted, which were submitted to the Board by the Risk and Compliance Committee.

  The role of the Committee has also been extended to supporting the Board in matters of finance by analysing and monitoring the drafting of the Capital Plan and the Liquidity and Funding Plan prior to its submission to the Board.

  The Committee also oversaw, monitored and controlled the Group's risk management, it monitored the evolution of the risk profile and metrics; the most significant aspects relating to changes in the macroeconomic environment and other factors that impacted the Group's management and activities over the course of the financial year; as well as any developments in BBVA share prices.

  It also analysed the corporate transactions within its remit, as well as other matters or projects arising from the day-to-day management of business and supervised and approved new corporate policies.

  Finally, the Committee monitored the legislative and regulatory developments affecting financial institutions, as well as the Group's authorisation to appoint administrators in subsidiaries or investee companies, and the granting of the powers vested in the Group. It also oversaw matters relating to corporate governance and the roadshow. However, the competences held by the Committee in this regard were transferred to the Appointments and Corporate Governance Committee upon the approval of the amendments to the Committee Regulations, as outlined in this report.

With respect to Section D (Related-party and Intragroup Transactions), see Notes 53 and 48 of the BBVA consolidated and individual Annual Financial Statements for the 2019 financial year, respectively. Section D.4 details the transactions conducted by Banco Bilbao Vizcaya Argentaria, S.A., at the close of the financial year, with the company issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances, guaranteed by BBVA. Moreover, with respect to Section D.4, please refer to the section entitled "Offshore financial centres" in the BBVA Consolidated Management Report for the 2019 financial year.

Likewise, in relation with Section D.6, all members of the Board of Directors and BBVA Senior Management are subject to the provisions of the BBVA Code of Conduct and the Internal Standards of Conduct in the Securities Markets, which establish procedures and measures to identify, prevent and manage potential conflicts of interest. In particular, the Internal Standards of Conduct in the Securities Markets establishes that all persons subject to them must notify the head of their area or the Compliance unit of situations that could potentially and under specific circumstances may entail conflicts of interest that might compromise their impartiality, before they engage in any transaction or conclude any business in the securities market in which such may arise.

Furthermore, regarding Section D.7, BBVA has significant shareholdings in three listed companies that are neither subsidiaries nor part of the BBVA Group. As part of its ordinary trading, BBVA also has shareholdings in other listed companies, without this stake being significant nor these companies considered as subsidiaries that belong to the BBVA Group.

With respect to Section E.3, and as regards preliminary proceedings 96/2017 – investigation piece number 9 – for the services provided to the Bank by Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt), it should be noted that, since January 2019, this issue has been periodically reported to the Bank's corporate bodies. This relates to both the Board committees within their remit (Audit Committee and Risk and Compliance Committee) as well as the Board of Directors as a whole. These bodies have driven and monitored internal investigation procedures, ensuring that the Bank fully cooperates with the authorities and develops a policy of transparency.

In addition to the above, throughout the 2019 financial year, the Bank's management bodies have adopted several measures to reinforce the Bank's internal control systems, the key elements of which are described in the "Compliance System" section of the Non-Financial Information report, included in the individual and consolidated Management Reports in which this Corporate Governance Report is included. This relates to: (i) the direct report of the heads of internal control and internal audit to the Board of Directors; (ii) approval of new policies and improvement in processes related to outsourcing, procurement and others; and (iii) reinforcement of the criminal prevention model.

It is also worth noting that the findings of the ongoing forensic investigation, which have been made available to the judicial authorities and are the basis of the legal investigation, indicate that neither the Executive Chairman of the Bank nor any of the current members of the Board of Directors are implicated, and it has not been proven that the Bank has committed any criminal activity.

In this regard, in the testimony given before the judge and prosecutors at the request of Central Investigating Court No. 6 of the Spanish National High Court, the Bank pleaded that it bears no criminal responsibility. It must also be noted that the criminal responsibility of legal persons is only legally enforceable from 2010.

It must also be stressed that to date the case has not impacted the Bank's business, nor has it negatively impacted the Bank's reputation indices, which are subject to recurrent monitoring by both the executive team and by its management bodies.

BBVA has created a specific section on its corporate website with information on issues related to the Cenyt case (https://www.bbva.com/en/specials/the-cenyt-case/).

Regarding adherence to codes of ethics or good practice, in 2011 BBVA's Board of Directors approved the Bank's adhesion to the CBPT (*Código de Buenas Prácticas Tributarias* – Code of Good Tax Practices) approved by the Large Corporations Forum according to the wording proposed by the Spanish Tax Agency (AEAT). The Group meets the obligations assumed as a result of this adherence and, during 2019, voluntarily prepared and submitted to the Spanish Tax Agency the "Annual Fiscal Transparency Report" for companies adhering to the CBPT. In this regard, the BBVA Group is also adhered since 2013 to the Code of Practice on Taxation for Banks promoted by British tax authorities, and has also met its obligations. Furthermore, BBVA is committed to implementing the provisions of the Universal Declaration of Human Rights and is a member of all major international initiatives for sustainable development, such as the Principles of United Nations Global Compact, the Equator Principles, the United Nations Principles for Responsible Investment, the United Nations Environment Programme Financial Initiative, the Green Bond Principles, the Social Bond Principles, the Green Loan Principles, the Thun Group of Banks on Human Rights CDP, the RE100 initiatives and the Science Based Targets, Grupo Español para el Crecimiento Verde (Spanish Green Growth Group) initiatives, as well as those of others conventions and treaties of international organisations such as the Organization for Economic Co-operation and Development and the International Labour Organization. Also, in 2019 BBVA signed, as a founding signatory, the Principles for Responsible Banking and joined the Collective Commitment to Climate Action as part of this year's UN Secretary-General's Climate Action Summit. Moreover, BBVA is firmly committed to the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change, and, since 2017, the Bank has been part of the pilot group of banks committed to implementing the recommendations regarding financing and climate change published in July by the Financial Stability Board of the G20.

This annual corporate governance report was approved by the company's Board of Directors on 10 February 2020.

List whether any directors voted against or abstained from voting on the approval of this report.

NO

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

Independent Assurance Report on the Non-Financial Information Statement of Banco Bilbao Vizcaya Argentaria, S.A. for the year 2019

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Non-Financial Information Statement (hereinafter, "NFIS") for the year ended 31th December 2019, of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the "Bank") which forms part of the 2019 Bank's Management Report.

The Management Report includes additional information to that required by prevailing mercantile legislation on which it is not possible to provide assurance as it was not prepared using adequate criteria. In this regard, our assurance work was limited only to providing assurance on the information contained in table "Contents of Law 11/2018" of the accompanying Bank's Management Report.

Directors' responsibilities

The Bank's Directors are responsible for the preparation and presentation of the NFIS included in the Bank's Management Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in table "Contents of Law 11/2018" of the aforementioned Bank's Management Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Bank's Directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Bank that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Bank personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS based on the materiality analysis performed by the Bank and described in the section "Materiality" considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2019.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2019.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2019 and whether it has been adequately compiled based on data provided by internal and external information sources or third party reports.
- Procurement of a representation letter from the Bank's Directors and Management.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Banco Bilbao Vizcaya Argentaria, S.A. for the year ended 31th December 2019 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, in accordance with that mentioned for each subject area in the table "Contents of Law 11/2018" of the aforementioned Management Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Luis Martín Riaño
11 de febrero de 2020