Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

BBVA Group

Annual Report 2014

Consolidated Financial Statements, Management Report and Audit Report 2014

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank") and companies composing, together with the Bank, the Banco Bilbao Vizcaya Argentaria Group ("the Group" – see Note 3), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group as at 31 December 2014, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the Bank's directors consider appropriate about the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

José M. Domínguez

José Manuel Domínguez
4 February 2015

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Contents

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS

APPENDIX

GLOSSARY

MANAGEMENT REPORT

BBVA Group

Consolidated balance sheets as of December 31, 2014, 2013 and 2012.

		Millions of Euros		
ASSETS	Notes	**2014**	**2013 (*)**	**2012 (*)**
CASH AND BALANCES WITH CENTRAL BANKS	9	**31,430**	**34,903**	**35,494**
FINANCIAL ASSETS HELD FOR TRADING	10	**83,258**	**72,112**	**79,829**
Loans and advances to credit institutions		-	-	-
Loans and advances to customers		128	106	244
Debt securities		33,883	29,602	28,020
Equity instruments		5,017	4,766	2,915
Trading derivatives		44,229	37,638	48,650
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	11	**2,761**	**2,413**	**2,530**
Loans and advances to credit institutions		-	-	-
Loans and advances to customers		-	-	-
Debt securities		737	663	753
Equity instruments		2,024	1,750	1,777
AVAILABLE-FOR-SALE FINANCIAL ASSETS	12	**94,875**	**77,774**	**67,500**
Debt securities		87,608	71,806	63,548
Equity instruments		7,267	5,968	3,952
LOANS AND RECEIVABLES	13	**372,375**	**350,945**	**371,347**
Loans and advances to credit institutions		27,059	22,862	25,448
Loans and advances to customers		338,657	323,607	342,163
Debt securities		6,659	4,476	3,736
HELD-TO-MATURITY INVESTMENTS	12	**-**	**-**	**10,162**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	14	**121**	**98**	**226**
HEDGING DERIVATIVES	14	**2,551**	**2,530**	**4,894**
NON-CURRENT ASSETS HELD FOR SALE	15	**3,793**	**2,880**	**4,229**
EQUITY METHOD	16	**4,509**	**4,742**	**10,782**
Associates		417	1,272	6,469
Jointly ventures		4,092	3,470	4,313
INSURANCE CONTRACTS LINKED TO PENSIONS		**-**	**-**	**7**
REINSURANCE ASSETS	22	**559**	**619**	**50**
TANGIBLE ASSETS	17	**7,820**	**7,534**	**7,572**
Property, plants and equipment		6,428	5,841	5,702
For own use		5,985	5,373	5,177
Other assets leased out under an operating lease		443	468	525
Investment properties		1,392	1,693	1,870
INTANGIBLE ASSETS	18	**7,371**	**6,759**	**7,132**
Goodwill		5,697	5,069	5,430
Other intangible assets		1,673	1,690	1,702
TAX ASSETS	19	**12,426**	**11,704**	**11,710**
Current		2,035	2,502	1,851
Deferred		10,391	9,202	9,859
OTHER ASSETS	20	**8,094**	**7,684**	**7,668**
Inventories		4,443	4,636	4,223
Rest		3,651	3,048	3,445
TOTAL ASSETS		**631,942**	**582,697**	**621,132**

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated balance sheet as of December 31, 2014.

BBVA Group

Consolidated balance sheets as of December 31, 2014, 2013 and 2012.

		Millions of Euros		
LIABILITIES AND EQUITY	Notes	**2014**	**2013 (*)**	**2012 (*)**
FINANCIAL LIABILITIES HELD FOR TRADING	10	**56,798**	**45,648**	**55,834**
Deposits from central banks		-	-	-
Deposits from credit institutions		-	-	-
Customer deposits		-	-	-
Debt certificates		-	-	-
Trading derivatives		45,052	38,119	49,254
Short positions		11,747	7,529	6,580
Other financial liabilities		-	-	-
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	11	**2,724**	**2,467**	**2,216**
Deposits from central banks		-	-	-
Deposits from credit institutions		-	-	-
Customer deposits		-	-	-
Debt certificates		-	-	-
Subordinated liabilities		-	-	-
Other financial liabilities		2,724	2,467	2,216
FINANCIAL LIABILITIES AT AMORTIZED COST	21	**491,899**	**464,549**	**490,807**
Deposits from central banks		28,193	30,893	46,475
Deposits from credit institutions		65,168	52,423	55,675
Customer deposits		319,060	300,490	282,795
Debt certificates		58,096	64,120	86,255
Subordinated liabilities		14,095	10,556	11,815
Other financial liabilities		7,288	6,067	7,792
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	14	**-**	**-**	**-**
HEDGING DERIVATIVES	14	**2,331**	**1,792**	**2,968**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	15	**-**	**-**	**387**
LIABILITIES UNDER INSURANCE CONTRACTS	22	**10,460**	**9,834**	**9,020**
PROVISIONS	23	**7,444**	**6,853**	**7,834**
Provisions for pensions and similar obligations	24	5,970	5,512	5,777
Provisions for taxes and other legal contingencies		262	208	406
Provisions for contingent risks and commitments		381	346	322
Other provisions		831	787	1,329
TAX LIABILITIES	19	**4,157**	**2,530**	**3,820**
Current		980	993	1,058
Deferred		3,177	1,537	2,762
OTHER LIABILITIES	20	**4,519**	**4,460**	**4,586**
TOTAL LIABILITIES		**580,333**	**538,133**	**577,472**

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated balance sheet as of December 31, 2014.

BBVA Group

Consolidated balance sheets as of December 31, 2014, 2013 and 2012.

		Millions of Euros		
LIABILITIES AND EQUITY (*Continued*)	Notes	**2014**	**2013 (*)**	**2012 (*)**
STOCKHOLDERS' FUNDS		**49,446**	**46,025**	**43,473**
Common Stock	25	**3,024**	**2,835**	**2,670**
Issued		3,024	2,835	2,670
Unpaid and uncalled (-)		-	-	-
Share premium	26	**23,992**	**22,111**	**20,968**
Reserves	27	**20,936**	**19,767**	**19,531**
Accumulated reserves (losses)		20,304	19,317	18,580
Reserves (losses) of entities accounted for using the equity method		633	450	951
Other equity instruments	43.1.1	**67**	**59**	**62**
Equity component of compound financial instruments		-	-	-
Other equity instruments		67	59	62
Less: Treasury stock	28	**(350)**	**(66)**	**(111)**
Income attributed to the parent company		**2,618**	**2,084**	**1,676**
Less: Dividends and remuneration		**(841)**	**(765)**	**(1,323)**
VALUATION ADJUSTMENTS	29	**(348)**	**(3,831)**	**(2,184)**
Available-for-sale financial assets		3,816	851	(238)
Cash flow hedging		(46)	8	36
Hedging of net investment in foreign transactions		(373)	(100)	(243)
Exchange differences		(2,173)	(3,023)	(1,164)
Non-current assets held-for-sale		-	3	(104)
Entities accounted for using the equity method		(796)	(1,130)	(24)
Other valuation adjustments		(777)	(440)	(447)
NON-CONTROLLING INTEREST	30	**2,511**	**2,371**	**2,372**
Valuation adjustments		(53)	70	188
Rest		2,563	2,301	2,184
TOTAL EQUITY		**51,609**	**44,565**	**43,661**
TOTAL LIABILITIES AND EQUITY		**631,942**	**582,697**	**621,132**

		Millions of Euros		
MEMORANDUM ITEM	Notes	**2014**	**2013 (*)**	**2012 (*)**
CONTINGENT RISKS	32	**33,741**	**33,543**	**37,019**
CONTINGENT COMMITMENTS	32	**106,252**	**94,170**	**90,142**

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated balance sheet as of December 31, 2014.

BBVA Group

Consolidated income statements for the years ended December 31, 2014, 2013 and 2012.

		Millions of Euros		
	Notes	2014	2013 (*)	2012 (*)
INTEREST AND SIMILAR INCOME	36	22,838	23,512	24,815
INTEREST AND SIMILAR EXPENSES	36	(8,456)	(9,612)	(10,341)
NET INTEREST INCOME		**14,382**	**13,900**	**14,474**
DIVIDEND INCOME	37	531	235	390
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	38	343	694	1,039
FEE AND COMMISSION INCOME	39	5,530	5,478	5,290
FEE AND COMMISSION EXPENSES	40	(1,356)	(1,228)	(1,134)
NET GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES	41	1,435	1,608	1,636
Financial instruments held for trading		11	540	653
Other financial instruments at fair value through profit or loss		27	49	69
Other financial instruments not at fair value through profit or loss		1,397	1,019	914
Other		-	-	-
EXCHANGE DIFFERENCES (NET)		699	903	69
OTHER OPERATING INCOME	42	4,581	4,995	4,765
Income on insurance and reinsurance contracts		3,622	3,761	3,631
Financial income from non-financial services		650	851	807
Rest of other operating income		308	383	327
OTHER OPERATING EXPENSES	42	(5,420)	(5,833)	(4,705)
Expenses on insurance and reinsurance contracts		(2,714)	(2,831)	(2,646)
Changes in inventories		(506)	(495)	(406)
Rest of other operating expenses		(2,200)	(2,507)	(1,653)
GROSS INCOME		**20,725**	**20,752**	**21,824**
ADMINISTRATION COSTS	43	(9,414)	(9,701)	(9,396)
Personnel expenses		(5,410)	(5,588)	(5,467)
General and administrative expenses		(4,004)	(4,113)	(3,929)
DEPRECIATION AND AMORTIZATION	44	(1,145)	(1,095)	(978)
PROVISIONS (NET)	45	(1,142)	(609)	(641)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	46	(4,340)	(5,612)	(7,859)
Loans and receivables		(4,304)	(5,577)	(7,817)
Other financial instruments not at fair value through profit or loss		(36)	(35)	(42)
NET OPERATING INCOME		**4,684**	**3,735**	**2,950**

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated income statement corresponding to the year ended December 31, 2014.

BBVA Group

Consolidated income statements for the years ended 2014, 2013 and 2012.

		Millions of Euros		
(Continued)	Notes	**2014**	**2013 (*)**	**2012 (*)**
NET OPERATING INCOME		**4,684**	**3,735**	**2,950**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	47	(297)	(467)	(1,123)
Goodwill and other intangible assets		(8)	(14)	(54)
Other assets		(289)	(453)	(1,069)
GAINS (LOSSES) ON DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	48	46	(1,915)	3
NEGATIVE GOODWILL	18	-	-	376
GAINS (LOSSES) IN NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	49	(453)	(399)	(624)
OPERATING PROFIT BEFORE TAX		**3,980**	**954**	**1,582**
INCOME TAX	19	(898)	16	352
PROFIT FROM CONTINUING OPERATIONS		**3,082**	**970**	**1,934**
PROFIT FROM DISCONTINUED OPERATIONS (NET)	49	-	1,866	393
PROFIT		**3,082**	**2,836**	**2,327**
Profit attributable to parent company		2,618	2,084	1,676
Profit attributable to non-controlling interests	30	464	753	651

		Euros		
	Note	**2014**	**2013 (*)**	**2012 (*)**
EARNINGS PER SHARE	5			
Basic earnings per share		0.44	0.36	0.30
Diluted earnings per share		0.44	0.36	0.30

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated income statement corresponding to the year ended December 31, 2014.

BBVA Group

Consolidated statements of recognized income and expenses for the years ended December 31, 2014, 2013 and 2012.

	Millions of Euros		
	2014	2013 (*)	2012 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**3,082**	**2,836**	**2,327**
OTHER RECOGNIZED INCOME (EXPENSES)	**3,359**	**(1,765)**	**754**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(346)**	**8**	**(224)**
Actuarial gains and losses from defined benefit pension plans	(498)	11	(316)
Non-current assets available for sale	-	-	-
Entities under the equity method of accounting	(5)	1	(5)
Income tax related to items not subject to reclassification to income statement	157	(4)	97
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**3,705**	**(1,773)**	**978**
Available-for-sale financial assets	**4,306**	**1,659**	**679**
Valuation gains/(losses)	4,770	1,737	541
Amounts reclassified to income statement	(464)	(140)	109
Reclassifications (other)	-	62	29
Cash flow hedging	**(71)**	**(32)**	**7**
Valuation gains/(losses)	(71)	(31)	7
Amounts reclassified to income statement	-	-	-
Amounts reclassified to the initial carrying amount of the hedged items	-	-	-
Reclassifications (other)	-	(1)	-
Hedging of net investment in foreign transactions	**(273)**	**143**	**(84)**
Valuation gains/(losses)	(273)	143	(84)
Amounts reclassified to income statement	-	-	-
Reclassifications (other)	-	-	-
Exchange differences	**760**	**(2,045)**	**601**
Valuation gains/(losses)	761	(2,026)	601
Amounts reclassified to income statement	(1)	(19)	-
Reclassifications (other)	-	-	-
Non-current assets held for sale	**(4)**	**135**	**(103)**
Valuation gains/(losses)	(4)	-	(103)
Amounts reclassified to income statement	-	135	-
Reclassifications (other)	-	-	-
Entities accounted for using the equity method	**338**	**(1,054)**	**238**
Valuation gains/(losses)	337	(736)	238
Amounts reclassified to income statement	1	(260)	-
Reclassifications (other)	-	(58)	-
Rest of recognized income and expenses	**-**	**-**	**-**
Income tax	**(1,351)**	**(579)**	**(360)**
TOTAL RECOGNIZED INCOME/EXPENSES	**6,441**	**1,071**	**3,081**
Attributable to the parent company	6,100	436	2,279
Attributable to non-controlling interest	341	635	802

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated statement of recognized income and expenses for the year ended December 31, 2014.

Consolidated statements of changes in equity for the years ended December 31, 2014, 2013 and 2012.

	Millions of Euros												
	Total Equity Attributed to the Parent Company											Non-controlling Interests (Note 30)	Total Equity
	Stockholders' Funds									Valuation Adjustments (Note 29)	Total		
			Reserves (Note 27)										
2014	Common Stock (Note 25)	Share Premium (Note 26)	Accumulated Reserves (Losses)	Reserves (Losses) from Entities Accounted for Using the Equity Method	Other Equity Instruments	Less: Treasury Stock (Note 28)	Profit Attributable to the Parent Company	Less: Dividends and Remunerations (Note 4)	Total Stockholders' Funds				
Balances as of January 1, 2014 (*)	**2,835**	**22,111**	**19,458**	**450**	**59**	**(66)**	**2,228**	**(765)**	**46,310**	**(3,831)**	**42,479**	**2,371**	**44,850**
Effect of changes in accounting policies (*)	-	-	(141)	-	-	-	(144)	-	(285)	-	(285)	-	(285)
Effect of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**2,835**	**22,111**	**19,317**	**450**	**59**	**(66)**	**2,084**	**(765)**	**46,025**	**(3,831)**	**42,194**	**2,371**	**44,565**
Total income/expense recognized	-	-	-	-	-	-	**2,618**	-	**2,618**	**3,483**	**6,101**	**341**	**6,442**
Other changes in equity	**189**	**1,881**	**987**	**183**	**8**	**(284)**	**(2,084)**	**(76)**	**803**	-	**803**	**(201)**	**602**
Common stock increase	189	1,881	(70)	-	-	-	-	-	2,000	-	2,000	-	2,000
Common stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase of other equity instruments	-	-	-	-	44	-	-	-	44	-	44	-	44
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	(597)	(597)	-	(597)	(243)	(840)
Transactions including treasury stock and other equity instruments (net)	-	-	5	-	-	(284)	-	-	(279)	-	(279)	-	(279)
Transfers between total equity entries	-	-	1,133	186	-	-	(2,084)	765	-	-	-	-	-
Increase/Reduction due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	7	-	(36)	-	-	-	(29)	-	(29)	-	(29)
Rest of increases/reductions in total equity	-	-	(88)	(3)	-	-	-	(244)	(336)	-	(336)	42	(294)
Of which:	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of the free allotment rights	-	-	-	-	-	-	-	244	244	-	244	-	244
Balances as of December 31, 2014	**3,024**	**23,992**	**20,304**	**633**	**67**	**(350)**	**2,618**	**(841)**	**49,446**	**(348)**	**49,098**	**2,511**	**51,609**

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2014.

BBVA Group

Consolidated statements of changes in equity for the years ended December 31, 2014, 2013 and 2012 (continued).

	Millions of Euros												
	Total Equity Attributed to the Parent Company											Non-controlling Interests (Note 30)	Total Equity (*)
	Stockholders' Funds												
			Reserves (Note 27)										
2013 (*)	Common Stock (Note 25)	Share Premium (Note 26)	Accumulated Reserves (Losses)	Reserves (Losses) from Entities Accounted for Using the Equity Method	Other Equity Instruments	Less: Treasury Stock (Note 28)	Profit Attributable to the Parent Company	Less: Dividends and Remunerations (Note 4)	Total Stockholders' Funds	Valuation Adjustments (Note 29)	Total		
Balances as of January 1, 2013 (**)	2,670	20,968	18,721	951	62	(111)	1,676	(1,323)	43,614	(2,184)	41,430	2,372	43,802
Effect of changes in accounting policies (**)	-	-	(141)	-	-	-	-	-	(141)	-	(141)	-	(141)
Effect of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted initial balance	2,670	20,968	18,580	951	62	(111)	1,676	(1,323)	43,473	(2,184)	41,289	2,372	43,661
Total income/expense recognized	-	-	-	-	-	-	2,084	-	2,084	(1,647)	437	635	1,072
Other changes in equity	165	1,143	737	(501)	(3)	45	(1,676)	558	468	-	468	(636)	(168)
Common stock increase	71	-	(71)	-	-	-	-	-	-	-	-	-	-
Common stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	94	1,143	-	-	-	-	-	-	1,237	-	1,237	-	1,237
Increase of other equity instruments	-	-	-	-	33	-	-	-	33	-	33	-	33
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	(605)	(605)	-	(605)	(482)	(1,087)
Transactions including treasury stock and other equity instruments (net)	-	-	30	-	-	45	-	-	75	-	75	-	75
Transfers between total equity entries	-	-	853	(501)	-	-	(1,676)	1,324	-	-	-	-	-
Increase/Reduction due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	22	-	(36)	-	-	-	(14)	-	(14)	-	(14)
Rest of increases/reductions in total equity	-	-	(97)	-	-	-	-	(161)	(258)	-	(258)	(154)	(412)
Of which:	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of the free allotment rights	-	-	-	-	-	-	-	(161)	(161)	-	(161)	-	(161)
Balances as of December 31, 2013	2,835	22,111	19,317	450	59	(66)	2,084	(765)	46,025	(3,831)	42,194	2,371	44,565

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2014.

BBVA Group

Consolidated statements of changes in equity for the years ended December 31, 2014, 2013 and 2012 (continued).

	Millions of Euros												
	Total Equity Attributed to the Parent Company											Non-controlling Interests (Note 30)	Total Equity
	Stockholders' Funds												
			Reserves (Note 27)										
2012 (*)	Common Stock (Note 25)	Share Premium (Note 26)	Accumulated Reserves (Losses)	Reserves (Losses) from Entities Accounted for Using the Equity Method	Other Equity Instruments	Less: Treasury Stock (Note 28)	Profit Attributable to the Parent Company	Less: Dividends and Remunerations (Note 4)	Total Stockholders' Funds	Valuation Adjustments (Note 29)	Total		
Balances as of January 1, 2012 (**)	**2,403**	**18,970**	**17,580**	**360**	**51**	**(300)**	**3,004**	**(1,116)**	**40,952**	**(2,787)**	**38,165**	**1,893**	**40,058**
Effect of changes in accounting policies (**)	-	-	(141)	-	-	-	-	-	(141)	-	(141)	-	(141)
Effect of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**2,403**	**18,970**	**17,439**	**360**	**51**	**(300)**	**3,004**	**(1,116)**	**40,811**	**(2,787)**	**38,024**	**1,893**	**39,917**
Total income/expense recognized	-	-	-	-	-	-	**1,676**	-	**1,676**	**603**	**2,279**	**802**	**3,081**
Other changes in equity	**267**	**1,998**	**1,141**	**591**	**11**	**189**	**(3,004)**	**(207)**	**986**	-	**986**	**(323)**	**663**
Common stock increase	73	-	(73)	-	-	-	-	-	-	-	-	-	-
Common stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	194	1,998	-	-	-	-	-	-	2,192	-	2,192	-	2,192
Increase of other equity instruments	-	-	-	-	32	-	-	-	32	-	32	-	32
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	(1,073)	(1,073)	-	(1,073)	(357)	(1,430)
Transactions including treasury stock and other equity instruments (net)	-	-	81	-	-	189	-	-	270	-	270	-	270
Transfers between total equity entries	-	-	1,291	597	-	-	(3,004)	1,116	-	-	-	-	-
Increase/Reduction due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	(28)	-	(21)	-	-	-	(49)	-	(49)	-	(49)
Rest of increases/reductions in total equity	-	-	(130)	(6)	-	-	-	(250)	(386)	-	(386)	34	(352)
Of which:	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of the free allotment rights	-	-	-	-	-	-	-	(250)	(250)	-	(250)	-	(250)
Balances as of December 31, 2012	**2,670**	**20,968**	**18,580**	**951**	**62**	**(111)**	**1,676**	**(1,323)**	**43,473**	**(2,184)**	**41,289**	**2,372**	**43,661**

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2014.

Consolidated statements of cash flows for the years ended December 31, 2014, 2013 and 2012.

	Notes	2014	2013 (*)	2012 (*)
		Millions of Euros		
CASH FLOW FROM OPERATING ACTIVITIES (1)	50	**(6,188)**	**(500)**	**9,728**
Profit for the year		**3,082**	**2,836**	**2,327**
Adjustments to obtain the cash flow from operating activities:		**8,315**	**8,332**	**10,400**
Depreciation and amortization		1,145	1,099	978
Other adjustments		7,170	7,233	9,422
Net increase/decrease in operating assets		**(53,244)**	**25,613**	**(38,637)**
Financial assets held for trading		(11,145)	7,717	(9,358)
Other financial assets designated at fair value through profit or loss		(349)	117	243
Available-for-sale financial assets		(13,485)	1,938	(12,463)
Loans and receivables		(27,299)	12,704	(12,073)
Other operating assets		(966)	3,137	(4,986)
Net increase/decrease in operating liabilities		**36,557**	**(37,265)**	**35,990**
Financial liabilities held for trading		11,151	(10,186)	4,656
Other financial liabilities designated at fair value through profit or loss		256	251	595
Financial liabilities at amortized cost		24,219	(24,660)	28,072
Other operating liabilities		931	(2,670)	2,666
Collection/Payments for income tax		**(898)**	**(16)**	**(352)**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	50	**(1,151)**	**3,021**	**(1,060)**
Investment		**(1,984)**	**(2,325)**	**(2,522)**
Tangible assets		(1,419)	(1,252)	(1,685)
Intangible assets		(467)	(526)	(777)
Investments		-	(547)	-
Subsidiaries and other business units		(98)	-	-
Non-current assets held for sale and associated liabilities		-	-	-
Held-to-maturity investments		-	-	(60)
Other settlements related to investing activities		-	-	-
Divestments		**833**	**5,346**	**1,462**
Tangible assets		167	101	-
Intangible assets		-	-	-
Investments		118	944	19
Subsidiaries and other business units		-	3,299	-
Non-current assets held for sale and associated liabilities		548	571	590
Held-to-maturity investments		-	431	853
Other collections related to investing activities		-	-	-

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated statement of cash flows for the year ended December 31, 2014.

Consolidated statements of cash flows for the years ended December 31, 2014, 2013 and 2012.

		Millions of Euros		
(Continued)	Notes	**2014**	**2013 (*)**	**2012 (*)**
CASH FLOWS FROM FINANCING ACTIVITIES (3)	50	**3,157**	**(1,326)**	**(3,492)**
Investment		**(5,955)**	**(6,104)**	**(10,387)**
Dividends		(826)	(1,275)	(1,269)
Subordinated liabilities		(1,046)	(697)	(3,930)
Common stock amortization		-	-	-
Treasury stock acquisition		(3,770)	(3,614)	(4,831)
Other items relating to financing activities		(313)	(518)	(357)
Divestments		**9,112**	**4,778**	**6,895**
Subordinated liabilities		3,628	1,088	1,793
Common stock increase		2,000	2	-
Treasury stock disposal		3,484	3,688	5,102
Other items relating to financing activities		-	-	-
EFFECT OF EXCHANGE RATE CHANGES (4)		**725**	**(1,784)**	**471**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)		**(3,457)**	**(589)**	**5,647**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**34,887**	**35,476**	**29,829**
CASH OR CASH EQUIVALENTS AT END OF THE YEAR		**31,430**	**34,887**	**35,476**

		Millions of Euros		
COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAI	Notes	**2014**	**2013 (*)**	**2012 (*)**
Cash		6,247	5,533	5,155
Balance of cash equivalent in central banks		25,183	29,354	30,321
Other financial assets		-	-	-
Less: Bank overdraft refundable on demand		-	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF THE YEAR	9	**31,430**	**34,887**	**35,476**
Of which:		-	-	-
Held by consolidated subsidiaries but not available for the Group		-	-	-

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

The accompanying Notes 1 to 56 and Appendices I to XIII are an integral part of the consolidated statement of cash flows for the year ended December 31, 2014.

Notes to the consolidated financial statements as of and for the period ended December 31, 2014

1. Introduction, basis for the presentation of the consolidated financial statements and internal control of financial information.

1.1 Introduction

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

The Bylaws and other public information are available for inspection at the Bank's registered address (Plaza San Nicolás, 4 Bilbao) as on its web site (www.bbva.com).

In addition to the transactions it carries out directly, the Bank heads a group of subsidiaries, joint venture and associates which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, "the Group" or "the BBVA Group"). In addition to its own separate financial statements, the Bank is therefore required to prepare the Group's consolidated financial statements.

As of December 31, 2014, the BBVA Group was made up of 299 consolidated entities and 116 entities accounted for using the equity method (see Notes 3 and 16 Appendices I to V).

The consolidated financial statements of the BBVA Group for the year ended December 31, 2013 were approved by the shareholders at the Annual General Meetings ("AGM") on March 14, 2014.

BBVA Group's consolidated financial statements and the financial statements for the Bank and most of the remaining entities within the Group have been prepared as of December 31, 2014, and are pending approval by their respective AGMs. Notwithstanding, the Board of Directors of the Bank understands that said financial statements will be approved without changes.

1.2 Basis for the presentation of the consolidated financial statements

The BBVA Group's consolidated financial statements are presented in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS") applicable as of December 31 2014, considering the Bank of Spain Circular 4/2004, of 22 December (and as amended thereafter), and with any other legislation governing financial reporting applicable to the Group.

The BBVA Group's accompanying consolidated financial statements for the year ended December 31, 2014 were prepared by the Group's Directors (through the Board of Directors held February 3, 2015) by applying the principles of consolidation, accounting policies and valuation criteria described in Note 2, so that they present fairly the Group's consolidated equity and financial position as of December 31, 2014, together with the consolidated results of its operations and cash flows generated during the year 2014.

These consolidated financial statements were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. Moreover, they include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the Group (see Note 2.2).

All effective accounting standards and valuation criteria with a significant effect in the consolidated financial statements were applied in their preparation.

The amounts reflected in the accompanying consolidated financial statements are presented in millions of euros, unless it is more appropriate to use smaller units. Some items that appear without a total in these consolidated financial statements do so because how the units are express. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the totals appearing in some tables are not the exact arithmetical sum of their component figures.

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

1.3 Comparative information

The information included in the accompanying consolidated financial statements and the explanatory notes referring to December 31, 2013 and 2012 are presented exclusively for the purpose of comparison with the information for December 31, 2014 and therefore it does not constitute the BBVA Group consolidated financial statements for the year 2013 and 2012.

Following the adoption of IFRIC 21 on levies by the IFRS interpretations Committee, in 2014 there was a change in accounting policy with respect to contributions made to the Deposit Guarantee Fund. According to the International Accounting Standards (denominated IAS 8), IFRIC 21 has been applied retroactively restating certain amounts presented for comparative purposes from prior years (see Appendices XIII).

The main effect of this change is that:

- With respect to the income statements from 2013, the balances for the following line items have been modified: "Other Income and Expenses" and consequently the line items of "Gross Margin", "Operating income", "Operating Profit & Loss before tax" and "Profit attributable to parent company". Therefore, the "profit attributable to parent company" for the year 2013 becomes €2,084 million compared to €2,228 million registered under the previous regulation.
- With respect to the balance sheet from 2013 and 2012, this change affects in a material manner the balances for the following line items: “Deferred tax assets”, “Financial liabilities at amortized cost – Other financial liabilities”, “Reserves” and consequently the line items “Total assets”, “Total liabilities”, “Stockholders’ funds” and “Total equity”.

1.4 Seasonal nature of income and expenses

The nature of the most significant operations carried out by the BBVA Group’s entities is mainly related to traditional activities carried out by financial institutions, which are not significantly affected by seasonal factors.

1.5 Responsibility for the information and for the estimates made

The information contained in the BBVA Group’s consolidated financial statements is the responsibility of the Group’s Directors.

Estimates have to be made at times when preparing these consolidated financial statements in order to calculate the recorded amount of some assets, liabilities, income, expenses and commitments. These estimates relate mainly to the following:

- Impairment on certain financial assets (see Notes 7, 8, 12, 13 and 16).
- The assumptions used to quantify certain provisions (see Notes 22 and 23) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 24).
- The useful life and impairment losses of tangible and intangible assets (see Notes 15, 17, 18 and 20).
- The valuation of goodwill (see Note 18).
- The fair value of certain unlisted financial assets and liabilities (see Notes 7, 8, 10, 11, 12 and 14).

Although these estimates were made on the basis of the best information available as of December 31, 2014 on the events analyzed, future events may make it necessary to modify them (either up or down) over the coming years. This would be done prospectively in accordance with applicable standards, recognizing the effects of changes in the estimates in the corresponding consolidated income statement.

1.6 Control of the BBVA Group’s financial reporting

The financial information prepared by the BBVA Group is subject to a system of internal financial control system (hereinafter ""IFCS"), which provides reasonable assurance with respect to its reliability and integrity, and to ensure that the consolidated financial information as well as the transactions carried out and processed use the criteria established by the BBVA Group’s management and comply with applicable laws and regulations.

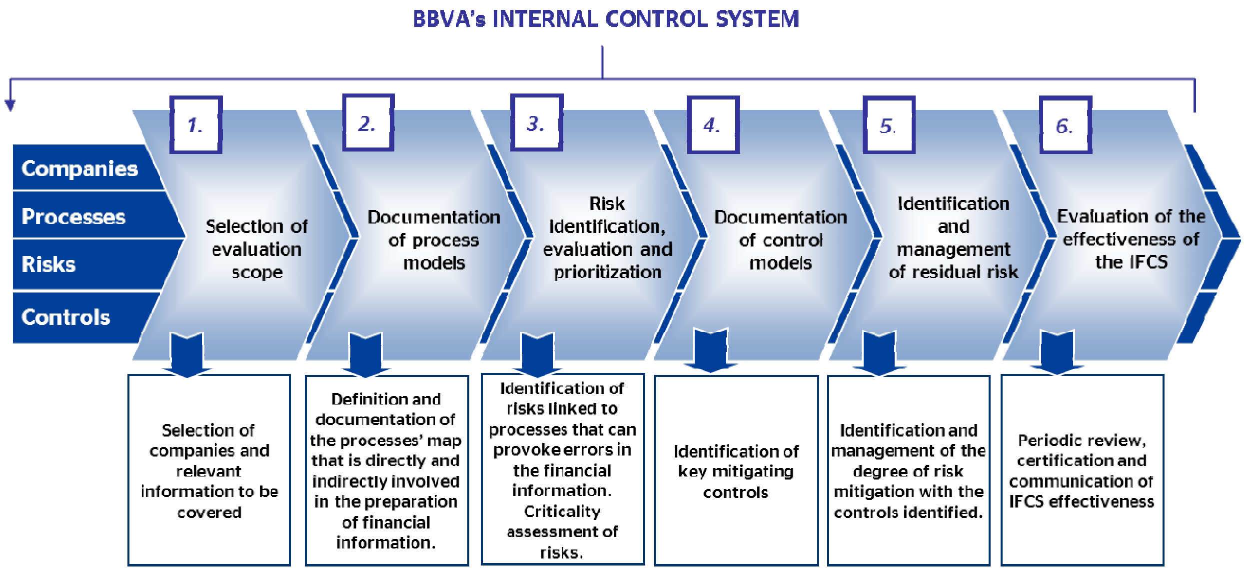
The IFCS was developed by the BBVA Group's management in accordance with framework established by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter, "COSO"). The COSO framework stipulates five components that must form the basis of the effectiveness and efficiency of systems of internal control:

- Establishment of an appropriate control framework to monitor these activities.
- Assessment of all of the risks that could arise during the preparation of financial information.
- Design the necessary controls to mitigate the most critical risks.
- Establishment of an appropriate system of information flows to detect and report system weaknesses or flaws.
- Monitoring of the controls to ensure they perform correctly and are effective over time.

In May 2013, COSO released an updated version of its framework called Internal Control Integrated Framework version. This update provides a broader framework than the previous guidance (17 principles) and clarifies the requirements for determining what constitutes effective internal control (84 points of focus). After analyzing the current version of the mentioned framework and its compliance level at BBVA, it is possible to assure that the internal control of financial information generally complies with the 2013 COSO model.

The IFCS is a dynamic framework that evolves continuously over time to reflect the reality of the BBVA Group's business at any time, together with the risks affecting it and the controls designed to mitigate these risks. It is subject to continuous evaluation by the internal control units located in the BBVA Group's different entities.

The Internal Control Units comply with a common and standard methodology issued by the corporate internal control units, which also perform a supervisory role over them, as set out in the following diagram:



In addition, the Internal Control Units, IFCS Model is subject to annual evaluations by the Group's Internal Audit Department and external auditors. It is also supervised by the Audit and Compliance Committee of the Bank's Board of Directors.

The BBVA Group complies with the requirements of the Sarbanes Oxley Act (hereafter "SOX") for consolidated financial statements as a listed company in the Securities Exchange Commission ("SEC"). The main senior executives of the Group take a part in the design, compliance and implementation of the internal control model to make it efficient and to ensure quality and accuracy of the financial information.

The description of the Internal Financial Control System for financial information is detailed in the Corporate Governance Annual Report, which is included within the Management Report attached to these consolidated financial statements for the year ended December 31, 2014.

1.7 Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24 (which developed certain aspects of Act 2/1981, dated 25 March, on the regulation of the mortgage market and other mortgage and financial market regulations), can be found in Appendix X.

2. Principles of consolidation, accounting policies and measurement bases applied and recent IFRS pronouncements

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

2.1 Principles of consolidation

In terms of its consolidation, accordance with the criteria established by the IFRS, the BBVA Group is made up of four types of entities: subsidiaries, joint ventures, associates and structured entities, define as follows:

- Subsidiaries

  Subsidiaries are entities controlled by the Group (for definition of the criterion for control, see Glossary).The financial statements of the subsidiaries are fully consolidated with those of the Bank.

  The share of non-controlling interests from subsidiaries in the Group's consolidated equity is presented under the heading "Non-controlling interests" in the consolidated balance sheet. Their share in the profit or loss for the period or year is presented under the heading "Profit attributable to non-controlling interests" in the accompanying consolidated income statement (see Note 30).

  Note 3 include information related to the main subsidiaries in the Group as of December 31, 2014. Appendix I includes other significant information on these entities.

- Joint ventures

  Joint ventures are those entities over which there is a joint arrangement to joint control with third parties other than the Group (for definitions of joint arrangement, joint control and joint venture, refer to Glossary).

  The investments in joint ventures are accounted for using the equity method (see Note 16). Appendix II shows the main figures for joint ventures accounted for using the equity method.

- Associates

  Associates are entities in which the Group is able to exercise significant influence (for definition of significant influence, see Glossary). Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly, unless it can be clearly demonstrated that this is not the case.

  However, certain entities in which the Group owns 20% or more of the voting rights are not included as Group associates, since the Group does not have the ability to exercise significant influence over these entities. Investments in these entities, which do not represent material amounts for the Group, are classified as "Available-for-sale financial assets".

  In contrast, some investments in entities in which the Group holds less than 20% of the voting rights are accounted for as Group associates, as the Group is considered to have the ability to exercise significant influence over these entities.

  Appendix II shows the most significant information related to the associates (see Note 16), which are accounted for using the equity method.

- Structured Entities

  A structured entity (see Glossary) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the voting rights relate to administrative matters only and the relevant activities are directed by means of contractual arrangements.

In those cases where the Group sets up entities, or has a holding in such entities, in order to allow its customers access to certain investments, or to transfer risks or for other purposes, in accordance with internal criteria and procedures and with applicable regulations, the Group determines whether control over the entity in question actually exists and therefore whether it should be subject to consolidation.

Such methods and procedures determine whether there is control by the Group, considering how the decisions are made about the relevant activities, assesses whether the Group has all power over the relevant elements, exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns.

- Structured entities subject to consolidation

  To determine if a structured entity controls the investee, and therefore should be consolidated into the Group, the existing contractual rights (different from the voting rights) are analyzed. For this reason, an analysis of the structure and purpose of each investee will be performed and, among others, the following factors will be considered:

  - Evidence of the current ability to manage the relevant activities of the entity according to the specific business needs (including any decisions that may arise only in particular circumstances).
  - Potential existence of a special relationship with the entity.
  - Implicit or explicit Group commitments to support the entity.
  - The ability to use the Group´s power over the investee to affect the amount of the investor's returns.

  There are cases where the Group has a high exposure to variable returns and maintains existing decision-making power over the entity, either directly or through an agent.

  The main structured entities of the Group are the so-called asset securitization funds, to which the BBVA Group transferred loan portfolios, and other vehicles, which allow the Group's customers to gain access to certain investments or to allow for the transfer of risks and other purposes (See Appendix I and V). BBVA maintains the decision-making power over the relevant activities of these vehicles through securitized market standard contractual financial support. The most common ones are: investment positions in equity note tranches, funding through subordinated debt, credit improvements through derivative instruments or liquidity lines, management rights of defaulted securitized assets, "clean-up" call derivatives, and asset repurchase clauses by the grantor.

  For these reasons, the loans related to the vast majority of the securitizations carried out by the bank or Group subsidiaries are not deregistered in the books of said entity and the issuances of these securitizations are registered as liabilities within the Group's balance sheet.

- Non-consolidated structured entities

  The Group owns other vehicles also for the purpose of allowing access to customers to certain investment, transfer risks, and other purposes, but without the control of these and which are considered non-consolidated in accordance with IFRS 10. The balance of assets and liabilities of these vehicles is not material in relation to the Group's consolidated financial statements.

  As of December 31, 2014 there was no material financial support from the parent or subsidiaries to unconsolidated structured entities.

The Group does not consolidate any of the mutual funds managed since the necessary control conditions are not met (See definition of control in the Glossary). Particularly, the BBVA Group does not act as arranger but as agent since it operates on behalf and for the benefit of invertors or parties (arranger of arrangers) and, for this reason it does not control the mutual funds when exercising its authority for decision making.

On the other hand, the mutual funds managed by the Group are not considered structured entities (generally, retail funds without corporate identity over which investors have participations which gives them ownership of said managed equity). These funds are not dependent on a capital structure that could prevent them to carry out activities without additional financial support, being in any case insufficient as far as the activities themselves are concerned. Additionally, the risk of the investment is absorbed by the fund participants, and the Group is only exposed when it becomes a participant, and as such, there is no other risk for the Group. Furthermore, in the case of guaranteed investment funds, the investment policy is designed in such a way that the Group collateral does not have to be exercised.

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

The financial statements of subsidiaries, associates and joint ventures used in the preparation of the consolidated financial statements of the Group relate to the same date of presentation than the consolidated financial statements. If financial statements at those same dates are not available, the most recent will be used, as long as these are not older than three months, and adjusting to take into account the most significant transactions. As of December 31, 2014, all of the financial statements of all Group entities were available, save for the case of the financial statements of five non-material associates and joint-ventures for which the financial statements were as of November 30, 2014.

Our banking subsidiaries, associates and joint venture around the world, are subject to supervision and regulation from a variety of regulatory bodies in relation to, among other aspects, the satisfaction of minimum capital requirements. The obligation to satisfy such capital requirements may affect the ability of such entities to transfer funds in the form of cash dividends, loans or advances. In addition, under the laws of the various jurisdictions where such entities are incorporated, dividends may only be paid out through funds legally available for such purpose. Even when the minimum capital requirements are met and funds are legally available, the relevant regulator or other public administrations could discourage or delay the transfer of funds to the Group in the form of cash, dividends, loans or advances for prudential reasons.

Separate financial statements

The separate financial statements of the parent company of the Group (Banco Bilbao Vizcaya Argentaria, S.A.) are prepared under Spanish regulations (Circular 4/2004 of the Bank of Spain, and subsequent amendments) and following other regulatory requirements of financial information applicable to the Bank. The Bank uses the cost method to account in its separate financial statements its investments in subsidiaries, associates and joint venture entities, which is consistent with the requirements of IAS 27.

Appendix IX shows BBVA's financial statements as of December 31, 2014 and 2013.

2.2 Accounting policies and valuation criteria applied

The accounting standards and policies and the valuation criteria applied in preparing these consolidated financial statements may differ from those used by some of the entities within the BBVA Group. For this reason, necessary adjustments and reclassifications have been introduced in the consolidation process to standardize these principles and criteria and comply with the EU-IFRS.

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

2.2.1 Financial instruments

Measurement of financial instruments and recognition of changes in subsequent fair value

All financial instruments are initially accounted for at fair value which, unless there is evidence to the contrary, shall be the transaction price.

All the changes in the fair value of the financial instruments, except in trading derivatives, arising from the accrual of interests and similar items are recognized under the headings "Interest and similar income" or "Interest and similar expenses", as appropriate, in the accompanying consolidated income statement for the year in which the change occurred (see Note 36). The dividends received from other entities are recognized under the heading "Dividend income" in the accompanying consolidated income statement for the year in which the right to receive them arises (see Note 37).

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

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

The assets and liabilities recognized under these headings of the consolidated balance sheets are measured at fair value and changes in the fair value (gains or losses) are recognized as their net value under the heading "Net gains (losses) on financial assets and liabilities" in the accompanying consolidated income statements (see Note 41). However, changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Exchange differences (net)" in the accompanying consolidated income statements.

"Available-for-sale financial assets"

Assets recognized under this heading in the consolidated balance sheets are measured at their fair value. Subsequent changes in fair value (gains or losses) are recognized temporarily for their amount net of tax effect, under the heading "Valuation adjustments - Available-for-sale financial assets" in the consolidated balance sheets.

Changes in the value of non-monetary items resulting from changes in foreign exchange rates are recognized temporarily under the heading "Valuation adjustments - Exchange differences" in the accompanying consolidated balance sheets. Changes in foreign exchange rates resulting from monetary items are recognized under the heading "Exchange differences (net)" in the accompanying consolidated income statements.

The amounts recognized under the headings "Valuation adjustments - Available-for-sale financial assets" and "Valuation adjustments - Exchange differences" continue to form part of the Group's consolidated equity until the corresponding asset is derecognized from the consolidated balance sheet or until an impairment loss is recognized in the corresponding financial instrument. If these assets are sold, these amounts are derecognized and included under the headings "Net gains (losses) on financial assets and liabilities" or "Exchange differences (net)", as appropriate, in the consolidated income statement for the year in which they are derecognized.

The gains from sales of other equity instruments considered strategic investments included under "Available-for-sale financial assets" are recognized under the heading "Gains (losses) in non-current assets held-for-sale not classified as discontinued operations" in the consolidated income statement, even if they had not been classified in a previous balance sheet as non-current assets held for sale.

The net impairment losses in "Available-for-sale financial assets" over the year are recognized under the heading "Impairment losses on financial assets (net) – Other financial instruments not at fair value through profit or loss" (see Note 46) in the consolidated income statements for that period.

"Loans and receivables", "Held-to-maturity investments" and "Financial liabilities at amortized cost"

Assets and liabilities recognized under these headings in the accompanying consolidated balance sheets are measured at "amortized cost" using the "effective interest rate" method. This is because the consolidated entities intend to hold such financial instruments to maturity.

Net impairment losses of assets recognized under these headings arising in a particular period are recognized under the heading "Impairment losses on financial assets (net) – Loans and receivables" or "Impairment losses on financial assets (net) – Other financial instruments not valued at fair value through profit or loss" (see Note 46) in the consolidated income statement for that period.

"Hedging derivatives" and "Fair value changes of the hedged items in portfolio hedges of interest-rate risk"

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

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

- In fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading "Net gains (losses) on financial assets and liabilities" in the consolidated income statement, with a corresponding item under the headings where hedging items ("Hedging derivatives") and the hedged items are recognized, as applicable.

- In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the consolidated income statement, and the gains or losses that arise from the change in the fair value of the hedged item (attributable to the hedged risk) are recognized in the consolidated income statement, using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the consolidated balance sheets, as applicable.
- In cash flow hedges, the gain or loss on the hedging instruments relating to the effective portion are recognized temporarily under the heading "Valuation adjustments – Cash flow hedging" in the consolidated balance sheets. These differences are recognized in the accompanying consolidated income statement at the time when the gain or loss in the hedged instrument affects profit or loss, when the forecast transaction is executed or at the maturity date of the hedged item. Almost all of the hedges used by the Group are for interest-rate risks. Therefore, the valuation changes are recognized under the headings "Interest and similar income" or "Interest and similar expenses", as appropriate, in the accompanying consolidated income statement (see Note 36).
- Differences in the measurement of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly in the heading "Net gains (losses) on financial assets and liabilities" in the consolidated income statement (See Note 41).
- In the hedges of net investments in foreign operations, the differences attributable to the effective portions of hedging items are recognized temporarily under the heading "Valuation adjustments – Hedging of net investments in foreign transactions" in the consolidated balance sheets. These differences in valuation are recognized under the heading "Exchange differences (net)" in the consolidated income statement when the investment in a foreign operation is disposed of or derecognized.

Other financial instruments

The following exceptions are applicable with respect to the above general criteria:

- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments remain in the consolidated balance sheet at acquisition cost; this may be adjusted, where appropriate, for any impairment loss. (see Note 8)
- Valuation adjustments arising from financial instruments classified at the consolidated balance sheet date as non-current assets held for sale are recognized with the corresponding entry under the heading "Valuation adjustments - Non-current assets held for sale" in the accompanying consolidated balance sheets.

Impairment losses on financial assets

Definition of impaired financial assets

A financial asset is considered impaired – and therefore its carrying amount is adjusted to reflect the effect of impairment – when there is objective evidence that events have occurred, which:

- In the case of debt instruments (loans and advances and debt securities), reduce the future cash flows that were estimated at the time the transaction was entered into. So they are considered impaired when there are reasonable doubts that the carrying amounts will be recovered in full and/or the related interest will be collected for the amounts and on the dates initially agreed.
- In the case of equity instruments, it means that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial assets is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes known. The recoveries of previously recognized impairment losses are reflected, if appropriate, in the consolidated income statement for the year in which the impairment is reversed or reduced, with an exception: any recovery of previously recognized impairment losses for an investment in an equity instrument classified as financial assets available for sale is not recognized in the consolidated income statement, but under the heading "Valuation Adjustments - Available-for-sale financial assets" in the consolidated balance sheet (see Note 29).

In general, amounts collected in relation to impaired loans and receivables are used to recognize the related accrued interest and any excess amount is used to reduce the unpaid principal.

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

In the case of particularly significant financial assets, and assets that cannot be classified within similar groups of instruments in terms of risk, the amounts to be charged off are measured individually. In the case of financial assets for lower amounts that can be classified in homogeneous groups, this measurement is carried out as a group.

According to the Group's established policy, the recovery of a recognized amount is considered remote and, therefore, derecognized from the consolidated balance sheet in the following cases:

- Any loan (except for those carrying an effective guarantee) of an entity in bankruptcy and/or in the last phases of a "concurso de acreedores" (the Spanish equivalent of a Chapter 11 bankruptcy proceeding), and
- Financial assets (bonds, debentures, etc.) whose issuer's solvency had been undergone a notable and irreversible deterioration.

Additionally, loans and advances classified as impaired secured loans are written off in the balance sheet within a maximum period of four years of their classification as impaired, while impaired unsecured loans (such as commercial and consumer loans, credit cards, etc.) are written off within two years of their classification as impaired.

Impairment on financial assets

The impairment on financial assets is determined by type of instrument and other circumstances that could affect it, taking into account the guarantees received by the owners of the financial instruments to assure (in part or in full) the performance of the financial assets. The BBVA Group recognizes impairment charges directly against the impaired financial asset when the likelihood of recovery is deemed remote, and uses an offsetting or allowance account when it recognizes non-performing loan provisions for the estimated losses.

Impairment of debt securities measured at amortized cost

The amount of impairment losses of debt securities at amortized cost is measured depending on whether the impairment losses are determined individually or collectively.

Impairment losses on financial assets individually evaluated for impairment

The amount of the impairment losses incurred on financial assets represents the excess of their respective carrying amounts over the present values of their expected future cash flows. These cash flows are discounted using the original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective rate determined under the contract.

As an exception to the rule described above, the market value of listed debt instruments is deemed to be a fair estimate of the present value of their expected future cash flows.

The following is to be taken into consideration when estimating the future cash flows of debt instruments:

- All the amounts that are expected to be recovered over the remaining life of the instrument; including, where appropriate, those which may result from the collateral and other credit enhancements provided for the instrument (after deducting the costs required for foreclosure and subsequent sale). Impairment losses include an estimate for the possibility of collecting accrued, past-due and uncollected interest.
- The various types of risk to which each instrument is subject.
- The circumstances in which collections will foreseeably be made.

In respect to impairment losses resulting from the materialization of insolvency risk of the obligors (credit risk), a debt instrument is impaired:

- When there is evidence of a reduction in the obligor's capacity to pay, whether manifestly by default or for other reasons; and/or
- For these purposes, country risk is understood to refer to risk with respect to debtors resident in a particular country and resulting from factors other than normal commercial risk: sovereign risk, transfer risk or risks derived from international financial activity.

The BBVA Group has policies, methods and procedures for hedging its credit risk, for insolvency attributable to counterparties and country-risk. These policies, methods and procedures are applied to the arrangement, study and documentation of debt instruments, contingent risks and commitments, as well as the identification of their deterioration and in the calculation of the amounts needed to cover their credit risk.

Impairment losses on financial assets collectively evaluated for impairment

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

The incurred loss is calculated taking into account three key factors: exposure at default, probability of default and loss given default.

- Exposure at default (EAD) is the amount of risk exposure at the date of default by the counterparty.
- Probability of default (PD) is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction. In addition, the PD calculation includes the following parameters:
  - The 'point-in-time' parameter converts a 'through-the-cycle' probability of default (defined as the average probability of default over a complete economic cycle) into the probability of default at the reporting date ('point-in-time' probability).
  - The loss identification period ('LIP') parameter, which is the time lag period between the occurrence of a specific impairment or loss event and when objective evidence of impairment becomes apparent on an individual basis; in other words, the time lag period between the loss event and the date an entity identified its occurrence. The analysis of LIPs is performed on a homogenous portfolio basis.

  A PD of 100% is assigned when a loan is considered impaired. The definition of default used includes amounts past due by 90 days or more and cases in which there is no default but there are doubts as to the solvency of the counterparty (subjective doubtful assets).
- Loss given default (LGD) is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.

  In order to calculate the LGD at each balance sheet date, the Group evaluates the estimated cash flows from the sale of the collateral by estimating its sale price (in the case of real estate collateral, the Group takes into account declines in property values which could affect the value of such collateral) and its estimated cost of sale. In the event of a default, the Group becomes contractually entitled to the property at the end of the foreclosure process or properties purchased from borrowers in distress, and is recognized in the financial statements. After the initial recognition of these assets classified as "Non-current assets held for sale" (see Note 2.2.4) or "Inventories" (see Note 2.2.6), they are valued at the lower of their carrying amount and their fair value less their estimated selling price.

As of December 31, 2014, the Group's internal incurred losses model for credit risk shows no material differences when compared to the provisions calculation using Bank of Spain requirements.

Impairment of other debt instruments

The impairment losses on other debt securities included in the "Available-for-sale financial asset" portfolio are equal to the excess of their acquisition cost (net of any principal repayment), after deducting any impairment loss previously recognized in the consolidated income statement over their fair value.

When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are no longer considered as "Valuation adjustments - Available-for-sale financial assets" and are recognized in the consolidated income statement.

If all, or part of the impairment losses are subsequently recovered, the amount is recognized in the consolidated income statement for the year in which the recovery occurred.

Impairment of equity instruments

The amount of the impairment in the equity instruments is determined by the category where they are recognized:

- *Equity instruments classified as available for sale:* When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are no longer considered as "Valuation adjustments - Available-for-sale financial assets" and are recognized in the consolidated income statement. In general, the Group considers that there is objective evidence of impairment on equity instruments classified as available-for-sale when significant unrealized losses have existed over a sustained period of time due to a price reduction of at least 40% or over a period of more than 18 months.

  When applying this evidence of impairment, the Group takes into account the volatility in the price of each individual security to determine whether it is a percentage that can be recovered through its sale on the market; other different thresholds may exist for certain securities or specific sectors.

  In addition, for individually significant investments, the Group compares the valuation of the most significant securities against valuations performed by independent experts.

  Any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale is not recognized in the consolidated income statement, but under the heading "Valuation Adjustments - Available-for-sale financial assets" in the consolidated balance sheet (see Note 29).

- *Equity instruments measured at cost:* The impairment losses on equity instruments measured at acquisition cost are equal to the excess of their carrying amount over the present value of expected future cash flows discounted at the market rate of return for similar equity instruments. In order to determine these impairment losses, save for better evidence, an assessment of the equity of the investee is carried out (excluding valuation adjustments due to cash flow hedges) based on the last approved (consolidated) balance sheet, adjusted by the unrealized gains at measurement date.

  Impairment losses are recognized in the consolidated income statement for the year in which they arise as a direct reduction of the cost of the instrument. These losses may only be reversed subsequently in the event of the sale of these assets.

2.2.2 Transfers and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is determined by the form in which risks and benefits associated with the financial assets involved are transferred to third parties. Thus the financial assets are only derecognized from the consolidated balance sheet when the cash flows that they generate are extinguished, or when their implicit risks and benefits have been substantially transferred to third parties. In the latter case, the financial asset transferred is derecognized from the consolidated balance sheet, and any right or obligation retained or created as a result of the transfer is simultaneously recognized.

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

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

- The transferred financial asset is not derecognized from the consolidated balance sheet and continues to be measured using the same criteria as those used before the transfer.
- A financial liability is recognized at the amount equal to the amount received, which is subsequently measured at amortized cost.
- Both the income generated on the transferred (but not derecognized) financial asset and the expenses of the new financial liability continue to be recognized.

2.2.3 Financial guarantees

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

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

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost (see Note 2.2.1).

The provisions recognized for financial guarantees considered impaired are recognized under the heading "Provisions - Provisions for contingent risks and commitments" on the liability side in the consolidated balance sheets (see Note 23). These provisions are recognized and reversed with a charge or credit, respectively; to "Provisions (net)" in the consolidated income statements (see Note 45).

Income from financial guarantee contracts is recorded under the heading "Fee and commission income" in the consolidated income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see 39).

2.2.4 Non-current assets held for sale and liabilities associated with non-current assets held for sale

The heading "Non-current assets held-for-sale" in the consolidated balance sheets includes the carrying amount of assets that are not part of the BBVA Group's operating activities. The recovery of this carrying amount is expected to take place through the price obtained on its disposal (see Note 15).

This heading includes individual items and groups of items ("disposal groups") and disposal groups that form part of a major operating segment and are being held for sale as part of a disposal plan ("discontinued operations"). The individual items include the assets received by the subsidiaries from their debtors, and those consolidated under the proportionate consolidated method, in full or partial settlement of the debtors' payment obligations (assets foreclosed or donated in repayment of debt and recovery of lease finance transactions), unless the Group has decided to make continued use of these assets. The BBVA Group has units that specialize in real estate management and the sale of this type of asset.

Symmetrically, the heading "Liabilities associated with non-current assets held for sale" in the consolidated balance sheets reflects the balances payable arising from disposal groups and discontinued operations.

Non-current assets 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. The book value at acquisition date of the non-current assets held for sale from foreclosures or recoveries is defined as the balance pending collection on those loans/credits that originated said purchases (net of provisions). Non-current assets held for sale are not depreciated while included under this heading.

Gains and losses generated on the disposal of assets and liabilities classified as non-current held for sale, and related impairment losses and subsequent recoveries, where pertinent, are recognized in "Gains/(losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income statements (see Note 49.1). The remaining income and expense items associated with these assets and liabilities are classified within the relevant consolidated income statement headings.

Income and expenses for discontinued operations, whatever their nature, generated during the year, even if they have occurred before their classification as discontinued operations, are presented net of the tax effect as a single amount under the heading "Profit from discontinued operations" in the consolidated income statement, whether the business remains on the balance sheet or is derecognized from the balance sheet. This heading includes the earnings from their sale or other disposal (see 49.2).

2.2.5 Tangible assets

Property, plant and equipment for own use

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

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

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

The tangible asset depreciation charges are recognized in the accompanying consolidated income statements under the heading "Depreciation and amortization" (see Note 44) and are based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

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

The BBVA Group's criteria for determining the recoverable amount of these assets, in particular buildings for own use, is based on independent appraisals that are no more than 3-5 years old at most, unless there are indications of impairment.

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

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

Running and maintenance expenses relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the consolidated income statements under the heading "Administration costs - General and administrative expenses - Property, fixtures and equipment" (see Note 43.2).

Other assets leased out under an operating lease

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

Investment properties

The heading "Tangible assets - Investment properties" in the consolidated balance sheets reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated impairment losses) of the land, buildings and other structures that are held either to earn rentals or for capital appreciation through sale and that are neither expected to be sold off in the ordinary course of business nor are destined for own use (see Note 17).

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

The BBVA Group's criteria for determining the recoverable amount of these assets is based on independent appraisals that are no more than one year old at most, unless there are indications of impairment.

2.2.6 Inventories

The balance under the heading "Other assets - Inventories" in the consolidated balance sheets mainly includes the land and other properties that the BBVA Group's real estate entities hold for development and sale as part of their real estate development activities (see Note 20).

The cost of inventories includes those costs incurred in during their acquisition and development, as well as other direct and indirect costs incurred in getting them to their current condition and location.

In the case of real-estate assets accounted for as inventories, the cost is comprised of: the acquisition cost of the land, the cost of urban planning and construction, non-recoverable taxes and costs corresponding to construction supervision, coordination and management. Borrowing cost incurred during the year form part of cost, provided that the inventories require more than a year to be in a condition to be sold.

Properties purchased from customers in distress are measured, at the acquisition date and any subsequent time, at either their related carrying amount or the fair value of the property (less costs to sell), whichever is lower. The carrying amount at acquisition date of these properties is defined as the balance pending collection on those loans/credits that originated said purchases (net of provisions).

Impairment

If the fair value less costs to sell is lower than the carrying amount of the loan recognized in the balance sheet, a loss is recognized under the heading "Impairment losses on other assets (net) – Other assets" in the consolidated income statement for the period (see Note 47). In the case of real-estate assets accounted for as inventories, the BBVA Group's criterion for determining their net realizable value is mainly based on independent appraisals no more than one year old, or less if there are indications of impairment.

The amount of any subsequent adjustment due to inventory valuation for reasons such as damage, obsolescence, reduction in sale price to its net realizable value, as well as losses for other reasons and, if appropriate, subsequent recoveries of value up to the limit of the initial cost value, are registered under the heading "Impairment losses on other assets (net) – Other assets" in the accompanying consolidated income statements (see Note 47) for the year in which they are incurred.

Inventory sales

In sale transactions, the carrying amount of inventories is derecognized from the consolidated balance sheet and recognized as an expense under the income statement heading "Other operating expenses – Changes in inventories" in the year in which the income from its sale is recognized. This income is recognized under the heading "Other operating income – Financial income from non-financial services" in the consolidated income statements (see Note 42).

2.2.7 Business combinations

The aim of a business combination is to obtain control of one or more businesses. It is accounted for by applying the acquisition method.

According to this method, the acquirer has to recognize the assets acquired and the liabilities and contingent liabilities assumed, including those that the acquired entity had not recognized in the accounts. The method involves the measurement of the consideration received for the business combination and its allocation to the assets, liabilities and contingent liabilities measured according to their fair value, at the purchase date.

In addition, the acquirer shall recognize an asset in the consolidated balance sheet under the heading "Intangible asset - Goodwill" if on the acquisition date there is a positive difference between:

- the sum of the consideration transferred, the amount of all the non-controlling interests and the fair value of stock previously held in the acquired business; and
- the fair value of the assets acquired and liabilities assumed.

If this difference is negative, it shall be recognized directly in the income statement under the heading "Gain on Bargain Purchase in business combinations".

Non-controlling interests in the acquired entity may be measured in two ways: either at their fair value; or at the proportional percentage of net assets identified in the acquired entity. The method of valuing non-controlling interest may be elected in each business combination. So far, the BBVA Group has always elected for the second method.

The purchase of non-controlling interests subsequent to obtaining control of an entity is recognized as an equity transaction; in other words, the difference between the consideration transferred and the carrying amount of the percentage of non-controlling interests acquired is recorded directly to equity.

2.2.8 Intangible assets

Goodwill

Goodwill represents payment in advance by the acquiring entity for the future economic benefits from assets that cannot be individually identified and separately recognized. It is only recognized as goodwill when the business combinations are acquired at a price. Goodwill is never amortized. It is subject periodically to an impairment analysis, and is written off if it is clear that there has been impairment.

Goodwill is assigned to one or more cash-generating units that expect to be the beneficiaries of the synergies derived from the business combinations. The cash-generating units represent the Group's smallest identifiable asset groups that generate cash flows for the Group and that are largely independent of the flows generated from the Group's other assets or groups of assets. Each unit or units to which goodwill is allocated:

- is the lowest level at which the entity manages goodwill internally;
- is not larger than a business segment.

The cash-generating units to which goodwill has been allocated are tested for impairment (including the allocated goodwill in their carrying amount). This analysis is performed at least annually or more frequently if there is any indication of impairment.

For the purpose of determining the impairment of a cash-generating unit to which a part of goodwill has been allocated, the carrying amount of that cash-generating unit, adjusted by the theoretical amount of the goodwill attributable to the non-controlling interests, in the event they are not valued at fair value, is compared with its recoverable amount.

The recoverable amount of a cash-generating unit is equal to the fair value less sale costs and its value in use, whichever is greater. Value in use is calculated as the discounted value of the cash flow projections that the unit's management estimates and is based on the latest budgets approved for the coming years. The main assumptions used in its calculation are: a sustainable growth rate to extrapolate the cash flows indefinitely, and the discount rate used to discount the cash flows, which is equal to the cost of the capital assigned to each cash-generating unit, and equivalent to the sum of the risk-free rate plus a risk premium inherent to the cash-generating unit being evaluated for impairment.

If the carrying amount of the cash-generating unit exceeds the related recoverable amount, the Group recognizes an impairment loss; the resulting loss is apportioned by reducing, first, the carrying amount of the goodwill allocated to that unit and, second, if there are still impairment losses remaining to be recognized, the carrying amount of the remainder of the assets. This is done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. In the event the non-controlling interests are measured at fair value, the deterioration of goodwill attributable to non-controlling interests will be recognized. In any case, an impairment loss recognized for goodwill shall not be reversed in a subsequent period.

They are recognized under the heading "Impairment losses on other assets (net) – Goodwill and other intangible assets" in the consolidated income statements (see Note 47).

Other intangible assets

These assets may have an indefinite useful life if, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the consolidated entities. In all other cases they have a finite useful life.

Intangible assets with a finite useful life are amortized according to the duration of this useful life, using methods similar to those used to depreciate tangible assets. The defined useful time intangible asset is made up mainly of IT applications acquisition costs which have a useful life of 3 to 5 years. Intangible assets with a finite useful life are mainly composed by the purchase of software applications, which have a useful life between 3 and 5 years.

The depreciation charge of these assets is recognized in the accompanying consolidated income statements under the heading "Depreciation and amortization" (see 44).

The consolidated entities recognize any impairment loss on the carrying amount of these assets with charge to the heading "Impairment losses on other assets (net) - Goodwill and other intangible assets" in the accompanying consolidated income statements (see Note 47). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior years, are similar to those used for tangible assets.

2.2.9 Insurance and reinsurance contracts

The assets of the BBVA Group's insurance subsidiaries are recognized according to their nature under the corresponding headings of the consolidated balance sheets and the initial recognition and valuation is carried out according to the criteria set out in IFRS 4.

The heading "Reinsurance assets" in the accompanying consolidated balance sheets includes the amounts that the consolidated entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance entities.

The heading "Liabilities under insurance contracts" in the accompanying consolidated balance sheets includes the technical provisions for direct insurance and inward reinsurance recognized by the consolidated entities to cover claims arising from insurance contracts in force at period-end (see Note 22).

The income or expenses reported by the BBVA Group's insurance entities on their insurance activities is recognized, attending to its nature, in the corresponding items of the consolidated income statements.

The consolidated insurance entities of the BBVA Group recognize the amounts of the premiums written to the income statement and a charge for the estimated cost of the claims that will be incurred at their final settlement to their income statements. At the close of each year the amounts collected and unpaid, as well as the costs incurred and unpaid, are accrued.

The most significant provisions registered by consolidated insurance entities with respect to insurance policies issued by them are set out by their nature in Note 22.

According to the type of product, the provisions may be as follows:

- Life insurance provisions:

  Represents the value of the net obligations undertaken with the life insurance policyholder. These provisions include:

- Provisions for unearned premiums. These are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums accrued until the closing date that has to be allocated to the period from the closing date to the end of the insurance policy period.
- Mathematical reserves: Represents the value of the life insurance obligations of the insurance entities at year-end, net of the policyholder's obligations, arising from life insurance contracted.

- Non-life insurance provisions:
  - Provisions for unearned premiums. These provisions are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums accrued until year-end that has to be allocated to the period between the year-end and the end of the policy period.
  - Provisions for unexpired risks: The provision for unexpired risks supplements the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered by the insurance entities in the policy period not elapsed at year-end.

- Provision for claims:

  This reflects the total amount of the outstanding obligations arising from claims incurred prior to year-end. Insurance entities calculate this provision as the difference between the total estimated or certain cost of the claims not yet reported, settled or paid, and the total amounts already paid in relation to these claims.

- Provision for bonuses and rebates:

  This provision includes the amount of the bonuses accruing to policyholders, insurees or beneficiaries and the premiums to be returned to policyholders or insurees, as the case may be, based on the behavior of the risk insured, to the extent that such amounts have not been individually assigned to each of them.

- Technical provisions for reinsurance ceded:

  Calculated by applying the criteria indicated above for direct insurance, taking account of the assignment conditions established in the reinsurance contracts in force.

- Other technical provisions:

  Insurance entities have recognized provisions to cover the probable mismatches in the market reinvestment interest rates with respect to those used in the valuation of the technical provisions.

The BBVA Group controls and monitors the exposure of the insurance entities to financial risk and, to this end, uses internal methods and tools that enable it to measure credit risk and market risk and to establish the limits for these risks.

2.2.10 Tax assets and liabilities

Expenses on corporate income tax applicable to the BBVA Group's Spanish entities and on similar income taxes applicable to consolidated foreign entities are recognized in the consolidated income statement, except when they result from transactions on which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity.

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

Deferred tax assets and liabilities include temporary differences, defined as the amounts to be payable or recoverable in future years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the "tax value"), and tax loss and tax credit carry forwards. These amounts are calculated by applying to each temporary difference the income tax rate that is expected to be applied when the asset is realized or the liability settled (see Note 19).

The "Tax Assets" chapter of the accompanying consolidated balance sheets includes the amount of all the assets of a tax nature, and distinguishes between: "Current" (amounts recoverable by tax in the next twelve months) and "Deferred" (covering taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application).

The "Tax Liabilities" line item in the accompanying consolidated balance sheets includes the amount of all the liabilities of a tax nature, except for provisions for taxes, broken down into: "Current" (income tax payable on taxable profit for the year and other taxes payable in the next twelve months) and "Deferred" (income taxes payable in subsequent years).

Deferred tax liabilities attributable to taxable temporary differences associated with investments in subsidiaries, associates or joint venture entities are recognized as such, except where the Group can control the timing of the reversal of the temporary difference and it is unlikely that it will reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is considered probable that the consolidated entities will have sufficient taxable profits in the future against which the deferred tax assets can be utilized and are not from the initial recognition (except in the case of a business combination) of other assets or liabilities in a transaction that does not affect the fiscal outcome or the accounting result.

The deferred tax assets and liabilities recognized are reassessed by the consolidated entities at each balance sheet date in order to ascertain whether they are still current, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

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

2.2.11 Provisions, contingent assets and contingent liabilities

The heading “Provisions” in the consolidated balance sheets includes amounts recognized to cover the BBVA Group’s current obligations arising as a result of past events. These are certain in terms of nature but uncertain in terms of amount and/or settlement date. The settlement of these obligations is deemed likely to entail an outflow of resources embodying economic benefits (see Note 23). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by Group entities relative to third parties in relation to the assumption of certain responsibilities or through virtually certain developments of particular aspects of the regulations applicable to the operation of the entities; and, specifically, future legislation to which the Group will certainly be subject.

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

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

Among other items, these provisions include the commitments made to employees by some of the Group entities (mentioned in section 2.2.12), as well as provisions for tax and legal litigation.

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

Contingent liabilities are possible obligations of the Group that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the 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.

2.2.12 Pensions and other post-employment commitments

Below is a description of the most significant accounting criteria relating to the commitments to employees, in terms of post-employment benefits and other long-term commitments, of certain BBVA Group entities in Spain and abroad (see Note 24).

Commitments valuation: assumptions and actuarial gains/losses recognition

The present values of the commitments are quantified based on an individual member data. For current employees costs are calculated using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit/commitment and measures each unit separately to build up the final obligation.

The actuarial assumptions should take into account that:

- They are unbiased, in that they are not unduly aggressive nor excessively conservative.
- They are compatible with each other and adequately reflect the existing economic relations between factors such as inflation, foreseeable wage increases, discount rates and the expected return on plan assets, etc. The future levels of wages and benefits are based on market expectations at the consolidated balance sheet date for the period over which the obligations are to be settled.
- The rate used to discount the commitments is determined by reference to market yields at the date referred to by the consolidated financial statements on high quality bonds.

The BBVA Group recognizes actuarial differences originating in the commitments assumed with staff taking early retirement, benefits awarded for seniority and other similar items under the heading “Provisions (net)” of the consolidated income statement for the period in which these differences occur (see Note 45). The BBVA Group recognizes the actuarial gains or losses arising on all other defined-benefit post-employment commitments directly under the heading "Valuation adjustments – Other valuation adjustments" of equity in the accompanying consolidated balance sheets (see Note 30).

Post-employment benefit commitments

Pensions

The BBVA Group’s post-employment benefit commitments are either defined-contribution or defined-benefit.

- *Defined-contribution commitments*: The amounts of these commitments are established as a percentage of certain remuneration items and/or as a fixed pre-established amount. The contributions made in each period by the BBVA Group’s entities for these commitments are recognized with a charge to the heading “Personnel expenses - Defined-contribution plan expense” in the consolidated income statements (see Note 43.1).
- *Defined-benefit commitments*: Some of the BBVA Group’s entities have defined-benefit commitments for the permanent disability and death of certain current employees and early retirees, as well as defined-benefit retirement commitments applicable only to certain groups of current employees, or employees taking early retirement and retired employees. These commitments are either funded by insurance contracts or recognized as internal provisions.

The amounts recognized under the heading “Provisions – Provisions for pensions and similar obligations” are the differences, at the date of the consolidated financial statements, between the present values of the commitments for defined-benefit commitments, adjusted by the past service cost, and the fair value of plan assets (see Note 23).

The current contributions made by the Group’s entities for defined-benefit commitments covering current employees are charged to the heading “Administration cost - Personnel expenses” in the accompanying consolidated income statements (see Note 43.1).

Early retirement

The BBVA Group has offered certain employees in Spain the option of taking early retirement (that is earlier than the age stipulated in the collective labor agreement in force) and has recognized the corresponding provisions to cover the cost of the commitments acquired for this item. The present values of early retirement obligations are quantified based on an individual member data and are recognized under the heading “Provisions – Provisions for pensions and similar obligations” in the accompanying consolidated balance sheets (see Note 23).

The early retirement commitments in Spain include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement. The commitments relating to this group of employees after they have reached normal retirement age are dealt with in the same way as pensions.

Other post-employment welfare benefits

Some of the BBVA Group's entities have welfare benefit commitments whose effects extend beyond the retirement of the employees entitled to the benefits. These commitments relate to certain current employees and retirees, depending upon the employee group to which they belong.

The present values of post-employment welfare benefits are quantified based on an individual member data and are recognized under the heading "Provisions – Provisions for pensions and similar obligations" in the consolidated balance sheets (see Note 23).

Other long-term commitments to employees

Some of the BBVA Group's entities are obliged to deliver goods and services to groups of employees. The most significant of these, in terms of the type of compensation and the event giving rise to the commitments, are as follows: loans to employees, life insurance, study assistance and long-service awards.

Some of these commitments are measured using actuarial studies, so that the present values of the vested obligations for commitments with personnel are quantified based on an individual member data. They are recognized under the heading "Provisions – Other provisions" in the accompanying consolidated balance sheets (see Note 23).

The cost of these benefits provided by Spanish entities in the BBVA Group to active employees are recognized under the heading "Personnel expenses - Other personnel expenses" in the consolidated income statements (see Note 43.1).

Other commitments for current employees accrue and are settled on a yearly basis, so it is not necessary to register a provision in this regard.

2.2.13 Equity-settled share-based payment transactions

Provided they constitute the delivery of such 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 "Stockholders' equity – Other equity instruments" in the consolidated balance sheet. These services are measured at fair value, unless such fair value cannot be calculated reliably. In such case, they are measured by reference to the fair value of the equity instruments committed, taking into account the date on which the commitments were made and the terms and other conditions included in the commitments.

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

2.2.14 Termination benefits

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

2.2.15 Treasury stock

The value of equity instruments issued by the BBVA Group's entities and held by them - basically, shares and derivatives on the Bank's shares held by some consolidated entities that comply with the requirements to be recognized as equity instruments - are recognized as a decrease to net equity, under the heading "Stockholders' funds - Treasury stock" in the consolidated balance sheets (see Note 28).

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 "Stockholders' funds - Reserves" in the consolidated balance sheets (see Note 27).

2.2.16 Foreign-currency transactions and exchange differences

The BBVA Group's functional currency, and thus the currency in which the consolidated financial statements are presented, is the euro. All balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

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

- Conversion of the foreign currency to the functional currency (currency of the main economic environment in which the entity operates); and
- Conversion to euros of the balances held in the functional currencies of the entities whose functional currency is not the euro.

Conversion of the foreign currency to the functional currency

Transactions denominated in foreign currencies carried out by the consolidated entities (or accounted for using the equity method) not based in European Monetary Union countries are initially accounted for in their respective currencies. Subsequently, the monetary balances in foreign currencies are converted to their respective functional currencies using the exchange rate at the close of the financial year.

In addition,

- Non-monetary items valued at their historical cost are converted to the functional currency at the exchange rate in force on the purchase date.
- Non-monetary items valued at their fair value are converted at the exchange rate in force on the date on which such fair value was determined.
- Income and expenses are converted at the period's average exchange rates for all the operations carried out during the period. When applying this criterion the BBVA Group considers whether significant variations have taken place in exchange rates during the financial year which, owing to their impact on the statements as a whole, require the application of exchange rates as of the date of the transaction instead of such average exchange rates.

The exchange differences produced when converting the balances in foreign currency to the functional currency of the consolidated entities and their subsidiaries are generally recognized under the heading "Exchange differences (net)" in the consolidated income statements. However, the exchange differences in non-monetary items, measured at fair value, are recognized temporarily in equity under the heading "Valuation adjustments - Exchange differences" in the consolidated balance sheets.

Conversion of functional currencies to euros

The balances in the financial statements of consolidated entities whose functional currency is not the euro are converted to euros as follows:

- Assets and liabilities: at the average spot exchange rates as of the date of each of the consolidated financial statements.
- Income and expenses and cash flows are converted by applying the exchange rate in force on the date of the transaction, and the average exchange rate for the financial year may be used, unless it has undergone significant variations.
- Equity items: at the historical exchange rates.

The exchange differences arising from the conversion to euros of balances in the functional currencies of the consolidated entities whose functional currency is not the euro are recognized under the heading "Valuation adjustments – Exchange differences" in the consolidated balance sheets. Meanwhile, the differences arising from the conversion to euros of the financial statements of entities accounted for by the equity method are recognized under the heading "Valuation adjustments - Entities accounted for using the equity method" until the item to which they relate is derecognized, at which time they are recognized in the income statement.

The breakdown of the main consolidated balances in foreign currencies as of December 31, 2014, 2013 and 2012, with reference to the most significant foreign currencies, is set forth in Appendix VII.

With regards to the exchanged rates used to convert the financial statements of the Group in Venezuela into Euros, we note that for the years ended December 31, 2013 and 2012, the Bolivar fuerte venezolano was applied; while for 2014 the Exchange rate used was that fixed by the SICAD I (Spanish acronym for Foreign currency administration complementary system). Through this system, the Exchange rate for the U.S. Dollar will be fixed in open auctions for both individuals or companies, resulting in an exchange rate that will fluctuate from auction to auction and which will be published in the SICAD web page.

The Exchange rates used for December 31, 2014, 2013 and 2012 were:

	Average Exchange Rates			Year-End Exchange Rates		
Currency	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Venezuelan bolivar (*)	14.78	8.05	5.52	14.57	8.68	5.66

(*) The official exchange rate of the Venezuelan Bolivar was used in the consolidated financial statements of 2013, reflecting the devaluation of this currency during 2013.

During 2014, the Venezuelan government established a new type of auction called SICAD II, however credit institutions do not have the possibility of attending to acquire foreign currencies. During the month of January 2015, the Venezuelan government stated that their Exchange rate system will change again and that there could be a new currency devaluation due to the situation related to the oil prices. As of the date of completion of these consolidated financial statements, there had been no currency devaluation or modification to the Exchange rate system.

2.2.17 Recognition of income and expenses

The most significant criteria used by the BBVA Group to recognize its income and expenses are as follows.

- Interest income and expenses and similar items:

  As a general rule, interest income and expenses and similar items are recognized on the basis of their period of accrual using the effective interest rate method. The financial fees and commissions that arise on the arrangement of loans and advances (basically origination and analysis fees) are deferred and recognized in the income statement over the expected life of the loan. The direct costs incurred in originating these loans and advances can be deducted from the amount thus recognized. These fees are part of the effective rate for loans. Also dividends received from other entities are recognized as income when the consolidated entities' right to receive them arises.

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

- Commissions, fees and similar items:

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

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

- Non-financial income and expenses:

  These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments:

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

2.2.18 Sales and income from the provision of non-financial services

The heading "Other operating income - Financial income from non-financial services" in the consolidated income statements includes the carrying amount of the sales of assets and income from the services provided by the Group entities that are not financial institutions. In the case of the Group, these entities are mainly real estate and service entities (see Note 42).

2.2.19 Leases

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

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

When the consolidated entities act as lessors of an asset in operating leases, the acquisition cost of the leased assets is recognized under "Tangible assets – Property, plant and equipment – Other assets leased out under an operating lease" in the consolidated balance sheets (see Note 17). These assets are depreciated in line with the criteria adopted for items of tangible assets for own use, while the income arising from the lease arrangements is recognized in the consolidated income statements on a straight-line basis within "Other operating expenses - Other of other operating expenses" (see Note 42).

If a fair value sale and leaseback results in an operating lease, the profit or loss generated by the sale is recognized in the consolidated income statement at the time of sale. If such a transaction gives rise to a finance lease, the corresponding gains or losses are amortized over the lease period.

The assets leased out under operating lease contracts to other entities in the Group are treated in the consolidated financial statements as for own use, and thus rental expense and income is eliminated and the corresponding depreciation is recognize.

2.2.20 Entities and branches located in countries with hyperinflationary economies

In order to assess whether an economy is under hyperinflation, the country's economic environment is evaluated, analyzing whether certain circumstances exist, such as:

- The country's population prefers to keep its wealth or savings in non-monetary assets or in a relatively stable foreign currency;
- Prices may be quoted in that currency;
- Interest rates, wages and prices are linked to a price index;
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

The fact that any of these circumstances is present will not be a decisive factor in considering an economy hyperinflationary, but it does provide some reasons to consider it as such.

Since 2009, the economy of Venezuela can be considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group's entities located in Venezuela have therefore been adjusted to correct for the effects of inflation (see Note 3). In accordance with IAS 29, the breakdown of the General Price Index is as follows:

General Price Index as of December 31	2014 (*)	2013	2012
GPI	834.80	498.10	318.90
Average GPI	658.28	406.17	288.80
Inflation of the period	67.70%	56.19%	20.07%

(*) Provisional data

As of December 31, 2014, the losses recognized under the heading "Profit attributable to the parent company" in the accompanying consolidated income statement as a result of the adjustment for inflation on net monetary position of the Group entities in Venezuela amounted to €306 million

2.3 Recent IFRS pronouncements

Changes introduced in 2014

The following modifications to the IFRS standards or their interpretations (hereinafter "IFRIC") came into force after January 1, 2014. They have not had a significant impact on the BBVA Group's consolidated financial statements corresponding to the period ended December 31, 2014.

Amended IAS 32 – "Financial Instruments: Presentation"

The changes made to IAS 32 clarify the following aspects on asset and liability offsetting:

- The legal right to net recognized amounts must not depend on a future event and must be legally enforceable under all circumstances, including cases of default or insolvency of either party.
- Settlements in which the following conditions are met shall be accepted as equivalent to "settlements for net amount": all, or practically all of the credit and liquidity risk is eliminated; and the settlement of the assets and liabilities is carried out in a single settlement process.

Amended IFRS 10 - "Consolidated Financial Statements", Amended IFRS 12 – "Disclosure of interests in other entities" and Amended IAS 27 – "Consolidated and separate financial statements"

The changes to IFRS 10, IFRS 12 and IAS 27 define investment entities and provide an exception to the consolidation requirements requiring investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them as per IFRS 9.

However, the parent company of an investment entity must consolidate all entities under its control, including those controlled through an investment entity, unless the parent company is also an investment entity.

Furthermore, these amendments include new disclosures that will allow the users of such information to evaluate the nature and financial impact of these investments made through investment entities.

IFRIC 21 "Levies"

This Interpretation addresses the accounting for a liability to pay a levy if that tax liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

The obligating event that gives rise to a tax liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. If the activity that triggers the payment of the levy occurs over a period of time, the liability to pay a levy is recognized progressively; if the obligation to pay a levy is triggered when a minimum threshold activity is reached, such as a minimum amount of revenue or sales generated or outputs produced, the liability to pay a levy is recognized when that minimum threshold is reached.

This interpretation does not apply to taxes that are within the scope of other Standards (such as income taxes that are within the scope of IAS 12 Income Taxes) and to fines or other penalties that are imposed for breaches of the legislation.

The European Union adopted IFRIC 21 and came into effect on June 17, 2014, though early adoption is allowed. Thus, the BBVA Group opted to adopt IFRIC 21 early (see Note 1.3).

Amended IAS 36 - "Impairment of Assets"

The previous IAS 36 required an entity to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit, is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives.

The changes made to IAS 36 remove that requirement and introduce the requirement to disclose information about the recoverable amount of assets (including goodwill and cash generating units) for which an impairment loss has been recognized or reversed during the period.

The amendments also require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

Amended IAS 39 - "Financial Instruments: Recognition and measurement. Novation of Derivatives and Continuation of Hedge Accounting"

The new IAS 39 introduces an exception to the requirement to discontinue hedge accounting for those novations that, as a consequence of a change in law or regulation, replace the original counterparty of the hedging instrument for a central counterparty or another entity, such as a clearing house, as long as the change does not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty.

Annual improvements cycle to IFRSs 2010-2012 – Minor modifications to IFRS 2 and IFRS 3

The annual project cycle to IFRSs 2010-2012 introduces small modifications and clarifications when interpreting IFRS 2 – Vesting Conditions and IFRS 3 – Business combinations. These changes apply to transactions and business combinations carried out from July 1, 2014.

Standards and interpretations issued but not yet effective as of December 31, 2014

New International Financial Reporting Standards together with their interpretations had been published at the date of preparation of the accompanying consolidated financial statements, but are not obligatory as of December 31, 2014. Although in some cases the IASB permits early adoption before they come into force, the BBVA Group has not done so as of this date, as it is still analyzing the effects that will result from them.

IFRS 9 - "Financial instruments"

As of July, 24, 2014, IASB has issued the IFRS 9 which will replace IAS 39. The new standard introduces significant differences with respect to the current regulation with regards to financial assets; among others, the approval of a new classification model based on two single categories of amortized cost and fair value, the elimination of the current "Held-to-maturity-investments" and "Available-for-sale financial assets" categories, impairment analyses only for assets measured at amortized cost and non-separation of embedded derivatives in contracts of financial assets.

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

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

IFRS 7 amended - "Financial instruments: Disclosures"

The IASB modified IFRS 7 in December 2011 to include new disclosures on financial instruments that entities will have to provide as soon as they apply IFRS 9 for the first time.

Amended IAS 19 - "Employee Benefits. Defined Benefit Plans: Employee Contributions"

The new IAS 19 amends the accounting requirements for contributions to defined benefit plans to permit to recognize these contributions as a reduction in the service cost in the same period where they are paid if they meet certain requirements, without the need for calculations to attribute the contributions to the periods of service.

These modifications will be applied to the accounting years starting on or after July 1, 2014, although early adoption is permitted.

Annual Improvements cycle to IFRSs 2010-2012– laminar changes to IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38

Annual Improvements cycle to IFRSs 2010-2012 introduces small modifications and clarifications to IFRS 8 - Operating Segments, IFRS 13 - Fair Value Measurement, IAS 16 - Property, Plant and Equipment, IAS 24 – Related Party Disclosures and IAS 38 - Intangible Assets which will be applied to the accounting years starting on or after July 1, 2014, although early adoption is permitted.

Annual Improvements to IFRSs 2011-2013 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle introduces small modifications and clarifications to IFRS 1 - First-time Adoption of IFRSs, IFRS 3 - Business Combinations, IFRS 13 - Fair Value Measurement and IAS 40 - Investment Property.

These modifications will be applied to the accounting years starting on or after July 1, 2014, although early adoption is permitted.

Amended IFRS 11 - “Joint Arrangements”

The amendments made to IFRS 11 require the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs. These modifications will be applied to the accounting years starting on or after January 1, 2016, although early adoption is permitted.

Amended IAS 16 - “Property, Plant and Equipment” and Amended IAS 38 – “Intangible Assets”.

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

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

IFRS 15 - “Revenue from contracts with customers”

IFRS 15 contains the principles that an entity shall apply to account for revenue and cash flows arising from a contract with a customer.

The core principle of IFRS 15 is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, in accordance with contractually agreed. It is considered that the good or service is transferred when the customer obtains control over it.

The new Standard replaces IAS 18 - Revenue IAS 11 - Construction Contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 – Revenue-Transactions Involving Advertising Services

This Standard will be applied to the accounting years starting on or after January 1, 2017, although early adoption is permitted.

IAS 27 Amended – "Separate financial statements"

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

These changes will be applicable to accounting periods beginning January 1, 2016, although early adoption is permitted.

IFRS 10 amended – "Consolidated financial statements" and IAS 28 amended

The amendments to IFRS 10 and IAS 28 establish that when an entity sells or transfers assets are considered a business (including its consolidated subsidiaries) to an associate or joint venture of the entity, the latter will have to recognize any gains or losses derived from such transaction in its entirety. Notwithstanding, if the assets sold or transferred are not considered a business, the entity will have to recognize the gains or losses derived only to the extent of the interests in the associate or joint venture with unrelated investors.

These changes will be applicable to accounting periods beginning January 1, 2016, although early adoption is allowed.

Annual improvements cycle to IFRSs 2012-2014

The annual improvements cycle to IFRSs 2011-2013 includes minor changes and clarifications to IFRS 5 – Non current assets held for sale and discontinued operations, IFRS 7 – Financial instruments: Information to disclose, IAS 19 – Employee benefits and IAS 34 – interim financial information.

These changes will be applicable to accounting periods beginning January 1, 2016, although early adoption is allowed.

Amended IAS 1 – Presentation of Financial Statements

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

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

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

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

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

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

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking, asset management and private banking. The Group also operates in other sectors such as insurance, real estate, operational leasing, etc.

Appendices I and II provide relevant information as of December 31, 2014 on the Group's subsidiaries, consolidated structured entities, and investments and joint venture entities accounted for by the equity method. Appendix III shows the main changes in investments for the year ended December 31, 2014, and Appendix IV gives details of the subsidiaries under the full consolidation method and which, based on the information available, are more than 10% owned by non-Group shareholders as of December 31, 2014.

The following table sets forth information related to the Group's total assets as of December 31, 2014, 2013 and 2012 broken down by the Group's entities according to their activity:

	Millions of Euros		
Contribution to Consolidated Group. Entities by Main Activities	**2014**	**2013**	**2012**
Banks and other financial services	603,046	556,416	593,884
Insurance and pension fund managing companies	23,452	20,023	20,481
Other non-financial services	5,445	6,258	6,766
Total	**631,942**	**582,697**	**621,132**

The total assets and earnings as of December 31, 2014, 2013 and 2012 broken down by the geographical areas in which the BBVA Group operates, are included in Note 6.

The BBVA Group's activities are mainly located in Spain, Mexico, South America and the United States, with an active presence in other countries, as shown below:

- Spain

The Group's activity in Spain is mainly through Banco Bilbao Vizcaya Argentaria, S.A., which is the parent company of the BBVA Group. The Group also has other entities that operate in Spain's banking sector, insurance sector, real estate sector, services and as operational leasing entities.

- Mexico

The BBVA Group operates in Mexico, not only in the banking sector, but also in the insurance sector through Grupo Financiero Bancomer.

- South America

The BBVA Group's activities in South America are mainly focused on the banking and insurance sectors, in the following countries: Argentina, Chile, Colombia, Peru, Paraguay, Uruguay and Venezuela. It has a representative office in Sao Paulo (Brazil).

The Group owns more than 50% of most of the entities based in these countries. Appendix I shows a list of the entities which, although less than 50% owned by the BBVA Group as of December 31, 2014, are fully consolidated (see Note 2.1).

- United States

The Group's activity in the United States is mainly carried out through a group of entities with BBVA Compass Bancshares, Inc. at their head, the New York branch and a representative office in Silicon Valley (California).

- Turkey

Since 2011, the BBVA Group maintains 25.01% of the share capital of the Turkish bank Turkiye Garanti Bankasi, AS (hereinafter, "Garanti", see the following heading "Ongoing operations"). Garanti heads up a group of banking and financial institutions that operate in Turkey, Holland and some countries in Eastern Europe. BBVA also has a representative office in Istanbul.

- Rest of Europe

The Group's activity in Europe is carried out through banks and financial institutions in Ireland, Switzerland, Italy and Portugal, branches in Germany, Belgium, France, Italy and the United Kingdom, and a representative office in Moscow.

- Asia-Pacific

The Group's activity in this region is carried out through branches (in Taipei, Seoul, Tokyo, Hong Kong Singapore and Shanghai) and representative offices (in Beijing, Mumbai, Abu Dhabi, Sydney and Jakarta).

Ongoing operations

Investments

New agreement for the acquisition of an additional 14.9% of Garanti

On November 19, 2014 BBVA Group entered into a new agreement with Dogus Holding A.S., Ferit Faik Şahenk, Dianne Şahenk and Defne Şahenk ("Dogus") for the acquisition of 62,538,000,000 shares of Garanti at a maximum total consideration of 8.90 Turkish Liras per share, which is equal to 5,566 million of Turkish liras.

Completion of the acquisition and the entry into force of the new agreement are conditional on the obtaining of all necessary regulatory consents from the relevant Turkish, Spanish, European Union and, if applicable, other jurisdictions' regulatory authorities. After the acquisition of the new shares, the stake of the BBVA Group in Garanti will be 39.9%.

In accordance with EU-IFRS, as a consequence of the implementation of the new agreement, the BBVA Group shall value its current stake in Garanti (which is classified at present as a joint venture accounted for using the equity method) at fair value and shall fully consolidate Garanti in the consolidated financial statements of the BBVA Group as from the date of the actual acquisition of control foreseen during 2015, subject to obtaining the abovementioned regulatory consents.

The date of announcement of the agreement the estimated negative impact in the attributable profit of the consolidated financial statements of the BBVA Group was approximately €1,500 million. As of the most recent date to the date of completion of these consolidated financial statements, the update of the estimated negative impact in the attributable profit of the consolidated financial statements of the BBVA Group was approximately €1,250 million, basically being affected by the exchange differences due to the depreciation of the Turkish lira against euro since initial acquisition. These exchange differences are already registered as Other Comprehensive Income deducting the stock shareholder's equity of the BBVA Group. Such accounting impact does not translate into any additional cash outflow from BBVA.

Catalunya Banc competitive auction

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

As a consequence, BBVA has executed a sale and purchase agreement with FROB, by virtue of which FROB will sell up to 100% of the shares of Catalunya Banc to BBVA for the price of up to €1,187 million.

The price will be reduced in an amount equal to €267 million provided that, prior to the effective closing of the transaction, FROB and Catalunya Banc do not obtain a confirmation issued by the Spanish tax authorities of the application of the deferred tax assets regime (foreseen in Royal Decree Law 14/2013) to some losses recorded in Catalunya Banc's consolidated financial statements for 2013 which were originated as a consequence of the transfer of assets by Catalunya Banc to the Management Company for Assets Arising from the Banking Sector Reorganization (known as "SAREB").

Closing of the sale and purchase transaction will be subject, among others, to the obtaining of the relevant administrative authorizations and approvals and to the effective closing of the transaction announced by Catalunya Banc to the market on July 17, 2014 whereby Catalunya Banc will transfer to an asset securitization fund a loan portfolio with a nominal value of €6,392 million.

Divestitures

Agreement to sell CNCB

On January 23, 2015 the Group BBVA has signed an agreement to sell 4.9% in China CITIC Bank Corporation Limited (CNCB) to UBS AG, London Branch (UBS), who has entered into transactions pursuant to which such CNCB shares will be transferred to a third party and the ultimate economic benefit of ownership of such CNCB shares will be transferred to Xinhu Zhongbao Co., Ltd (Xinhu) (the Relevant Transactions).

The selling price to UBS is HK$ 5.73 per share, amounting to a total of HK$ 13,136 million, equivalent to approximately €1,460 million. After completing the sale BBVA will hold a 4.7% interest in CNCB.

The closing of this transaction between UBS and BBVA will happen after the legal and corporate requirements necessary for the Relevant Transactions relating to Xinhu have been completed. As of December 31, 2014, this participation is recognized under the heading "Non-Current assets available for sale" see "Changes in the Group in 2013" – (Note 12).

We estimate that the closing of the BBVA transaction will take place within the first quarter of 2015. The estimated impact on the consolidated financial statements of the BBVA Group will be a net capital gain of approximately €400 million.

Agreement to sell the participation in Citic International Financial Holding (CIFH)

On December 23, the BBVA Group signed an agreement to sell its participation of 29.68% in Citic International Financial Holdings Limited (CIFH), to China CITIC Bank Corporation Limited (CNCB). CIFH is a non listed subsidiary of CNCB domiciled in Hong Kong. The selling price is HK$8,162 million. The closing of such agreement is subject to the relevant regulatory approvals. The estimated impact on the attributable profit of the consolidated financial statements of the BBVA Group will be approximately €25 million.

As of December 31, 2014, this participation is recognized under the heading "Non-Current assets held for sale" from the heading "Investments in entities accounted for using the equity method –Associates" (see Note 16).

Changes in the Group in 2014

Purchase of Simple

On February 20, 2014, the Group announced its agreement to acquire the 100% of Simple Finance Technology Corp. ("Simple") for a price of $117 million (approximately €84 million). The goodwill recognized by this acquisition amounted to $89 million (approximately €65 million, see Note 18), although this amount is provisional, as under IFRS 3 a period of one year is allowed to make a definitive determination.

Changes in the Group in 2013

Purchase of Unnim Vida

On February 1, 2013, Unnim Banc, S.A. later absorbed by the Bank, reached an agreement with Aegon Spain Holding B.V. to acquire the 50% of Unnim Vida, Inc. Insurance and Reinsurance ("Unnim Vida") for a price of €352 million. Thus, the BBVA Group owned 100% of the stake of "Unnim Vida.

Sale of BBVA Panama

On July 20, 2013, BBVA announced that it had reached an agreement with the entity Leasing Bogotá S.A., Panamá, a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale of the direct and indirect ownership interest (98.92%) in Banco Bilbao Vizcaya Argentaria (Panamá), S.A. ("BBVA Panamá").

On December 19, 2013, after having obtained the necessary approvals, BBVA completed the sale.

The total consideration that BBVA received pursuant to this sale amounted to approximately $645 million, $505 million as sale price and $140 million as distribution of dividends by BBVA Panamá from June 1, 2013.

BBVA received part of the consideration through the distribution of dividends from BBVA Panamá amounting to $140 million prior to closing (such amount has consequently reduced the purchase price to be paid to BBVA on closing).

After deducing such distribution of dividends the capital gain gross of taxes amounted to approximately €230 million which was recognized under the heading "Gains (losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income statement in 2013.

Sale of pension businesses in Latin America

On May 24, 2012 BBVA announced its decision to conduct a study on strategic alternatives for its pension business in Latin America. The alternatives considered in this process include the total or partial sale of the businesses of the Pension Fund Administrators ("AFP") in Chile, Colombia and Peru, and the Retirement Fund Administrator (Afore) in Mexico.

On October 2, 2013, with the sale of "AFP Provida" (Administradora de Fondos de Pensiones AFP Provida de Chile), BBVA finalized the process. Below there is a description of each of the operations that have been carried out during this process:

Sale of AFP Provida (Chile)

On February 1, 2013, BBVA reached an agreement with MetLife, Inc., for the sale of the 64.3% stake that BBVA held direct and indirectly in the Chilean Pension Fund manager Administradora de Fondos de Pensiones Provida SA ("AFP Provida").

On October 2, 2013, BBVA completed the sale. The total amount in cash received by BBVA was approximately 1,540 million U.S. dollars ("USD"), taking into account the purchase price amounting to roughly 1,310 million USD as well as the dividends paid by AFP Provida since February 1, 2013 amounting to roughly 230 million USD. The gain on disposal, attributable to the Parent company net of taxes, amounted to approximately €500 million which was recognized under the heading "Profit from discontinued operations (Net)" in the consolidated income statement in 2013.

Sale of BBVA AFP Horizonte S.A. (Peru)

On April 23, 2013, BBVA sold a wholly owned Peruvian subsidiary "AFP Horizonte SA" to "AFP Integra SA" and "Profuturo AFP, SA" who have each acquired 50% of said company.

The total consideration paid for the shares is approximately US$ 544 million. This consideration is composed by a price of approximately US$ 516 million and a dividend distributed prior to the closing of approximately US$ 28 million.

The gain on disposal, attributable to parent company net of taxes, amounted to approximately €206 million at the moment of the sale and such gain was recognized under the heading "Profit from discontinued operations (Net)" in the consolidated income statement in 2013 (see Note 49.2).

Sale of BBVA AFP Horizonte S.A. (Colombia)

On December 24, 2012, BBVA reached an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir, S.A., a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale to the former of the total stake that BBVA held directly or indirectly in the Colombian company BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y Cesantías S.A.

On April 18, 2013, after having obtained the necessary approvals, BBVA completed the sale. The adjusted total price was US$ 541.4 million. The gain on disposal, attributable to parent company net of taxes, amounted to approximately €255 million at the moment of the sale, and was recognized under the heading "Profit from discontinued operations (Net)" in the consolidated income statement in 2013 (see Note 49.2).

Sale of Afore Bancomer (Mexico)

On November 27, 2012, BBVA reached an agreement to sell to Afore XXI Banorte, S.A. de C.V. its entire stake directly or indirectly held in the Mexican subsidiary Administradora de Fondos para el Retiro Bancomer, S.A. de C.V.

Once the corresponding authorization had been obtained from the competent authorities, the sale was closed on January 9, 2013, at which point the BBVA Group no longer had control over the subsidiary sold.

The total sale price was USD 1,735 million (approximately €1,327 million). The gain on disposal, attributable to parent company net of taxes, was approximately €771 million, and was recognized under the heading "Profit from discontinued operations (Net)" in the consolidated income statement in 2013 (see Note 49.2).

Agreement with Citic Group

As of October 21, 2013, BBVA reached a new agreement with the Citic Group that included among other aspects the sale of its 5.1% stake in China Citic Bank Corporation Limited (CNCB) to Citic Limited for an amount of approximately €944 million, after this sale, the stake of BBVA in CNCB was reduced to the 9.9%.

In accordance with IFRS 11, the new situation implies a change in the accounting criteria applied to the participation of BBVA in CNCB, being now a no material financial participation recognized under the heading "Available-for-sale financial assets" (see Notes 12 and 16).

As a result of this change in the accounting criteria and the mentioned sale, the loss attributable to the BBVA Group at the time of the sale amounted to approximately €2,600 million which was recognized under the heading "Gains (losses) on derecognized assets not classified as non-current assets held for sale" in the consolidated income statement in 2013 (see Note 48).

Changes in the Group in 2012

Acquisition of Unnim

On March 7, 2012, the Governing Board of the Fund for Orderly Bank Restructuring (FROB) awarded BBVA Unnim Banc, S.A. (hereinafter "Unnim").

This was done through a share sale purchase agreement between FROB, the Credit Institution Deposit Guarantee Fund (hereinafter "FGD") and BBVA, under which BBVA was to purchase 100% of the shares of Unnim for €1.

A Protocol of Financial Support Measures was also concluded for the restructuring of Unnim. This regulates an asset protection scheme (EPA) whereby the FGD will assume 80% of the losses that may be incurred on a portfolio of predetermined Unnim assets for the next 10 years.

On July 27 2012, following the completion of the transaction, Unnim became a wholly owned subsidiary of BBVA.

As of May 23, 2013 the Unnim merger by acquisition public deed was entered on the companies' register of Vizcaya.

Sale of the business in Puerto Rico

On June 28, 2012, BBVA reached an agreement to sell its business in Puerto Rico to Oriental Financial Group Inc.

This agreement included the sale of 100% of the common stock of BBVA Securities of Puerto Rico, Inc. and BBVA PR Holding Corporation, which in turn owned 100% of the common stock of Banco Bilbao Vizcaya Argentaria Puerto Rico and of BBVA Seguros Inc.

Once the corresponding authorization had been obtained from the competent authorities, the sale closed on December 18, 2012, at which point the BBVA Group no longer had control over the businesses.

The sale price was USD 500 million (around €385 million at the exchange rate on the transaction date). Gross losses from the sale were around €15 million (taking into account the exchange rate at the transaction date and the earnings of these entities up to December 18, 2012). These capital losses are recognized under the heading "Gains (losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income statement for 2012 (see Note 49.2).

4. Shareholder remuneration system and allocation of earnings

Shareholder remuneration system

During 2011, 2012 and 2013, a shareholder remuneration system called the "Dividend Option" was implemented.

Under this remuneration scheme, BBVA offers its shareholders the opportunity to receive part of their remuneration in the form of free shares; however, they can still choose to receive it in cash by selling the rights assigned to them in each capital increase either to BBVA (by the Bank exercising its commitment to purchase the free assignment rights) or on the market.

The Bank's Shareholders' Annual General Meeting held on March 14, 2014 once more approved the establishment of the "Dividend Option" program for 2014, through four share capital increases charged to voluntary reserves, under similar conditions to those established in the previous years.

In April 2014, the Executive Committee approved the execution of the first of the capital increases charged to reserves as agreed by the AGM held on March 14, 2014 to implement the Dividend Option. As a result of this increase, the Bank's common stock increased by €49,594,990.83 (101,214,267 shares at a €0.49 par value each). 89.21% of shareholders opted to receive their remuneration in the form of shares (see Note 25). The other 10.79% of the right owners opted to sell the rights assigned to them to BBVA, and as a result, BBVA acquired 624,026,809 rights for a total amount of €104,836,503.91; said shareholders were paid in cash at a gross fixed price of €0.168 per right.

In October 2014, the Executive Committee approved the execution of the first of the capital increases charged to reserves as agreed by the AGM held on March 14, 2014 to implement the Dividend Option. As a result of this increase, the Bank's common stock increased by €20,455,560.09 (41,746,041 shares at a €0.49 par value each). 85.09% of shareholders opted to receive their remuneration in the form of shares (see Note 25). The other 14.91% of the right owners opted to sell the rights assigned to them to BBVA, and as a result, BBVA acquired 877,643,649 rights for a total amount of €70,211,491.92; said shareholders were paid in cash at a gross fixed price of €0.080 per right.

In December 2014, the Executive Committee approved the execution of the third of the capital increases charged to reserves as agreed by the AGM held on March 14, 2014 to implement the Dividend Option. As a result of this increase, the Bank's common stock increased by €26,256,622.07 (53,584,943 shares at a €0.49 par value each). 85.96% of shareholders opted to receive their remuneration in the form of shares (see Note 25). The other 14.04% of the right owners opted to sell the rights assigned to them to BBVA, and as a result, BBVA acquired 866,429,450 rights for a total amount of €69,314,363.20; said shareholders were paid in cash at a gross fixed price of €0.080 per right.

Dividends

At its meeting of June 25, 2014, the Board of Directors of BBVA approved the payment of an interim dividend against 2014 earnings of €0.08 gross (€0.0632 net) per outstanding share to be paid on July 10, 2014.

The expected financial statements prepared in accordance with legal requirements evidenced the existence of sufficient liquidity for the distribution of the amounts to the interim dividend, as follows:

	Millions of Euros
Available Amount for Interim Dividend Payments	**May 31, 2014**
Profit of BBVA, S.A. at each of the dates indicated, after the provision for income tax	983
Less -	
Estimated provision for Legal Reserve	10
Acquisition by the bank of the free allotment rights in 2014 capital increase	105
Additional Tier I capital instruments remuneration	53
Maximum amount distributable	**815**
Amount of proposed interim dividend	**471**
BBVA cash balance available to the date	**1,827**

The amount of the interim dividend which was paid to the shareholders on July 10, 2014, after deducting the treasury shares held by the Group's entities, amounted to €471 million and was recognized under the heading "Stockholders' funds - Dividends and remuneration"

The allocation of earnings for 2014 subject to the approval of the Board of Directors at the Annual Shareholders Meeting is presented below:

Allocation of Earnings	Millions of Euros 2014
Profit for year (*)	**1,105**
Distribution:	
Interim dividends	471
Acquisition by the bank of the free allotment rights(**)	244
Additional Tier 1 securities	126
Legal reserve	38
Voluntary reserves	226

(*) Net Income of BBVA S.A. (Appendix IX).

(**) Concerning to the remuneration to shareholders who choose to be paid in cash through the "Dividend Option"

5. Earnings per share

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

The Bank issued additional share capital in 2014, 2013 and 2012 (see 25). In accordance with IAS 33, when there is a capital increase earnings per share, basic and diluted, should be recalculated for previous periods applying a corrective factor to the denominator (the weighted average number of shares outstanding) This corrective factor is the result of dividing the fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value per share. The basic and diluted earnings per share for December 2013 and 2012 were recalculated on this basis.

The calculation of earnings per share is as follows:

Basic and Diluted Earnings per Share	2014	2013 (*)	2012 (*)
Numerator for basic and diluted earnings per share (millions of euros)			
Profit attributable to parent company	2,618	2,084	1,676
Adjustment: Mandatory convertible bonds interest expenses (3)	-	-	95
Profit adjusted (millions of euros) (A)	**2,618**	**2,084**	**1,771**
Profit from discontinued operations (net of non-controlling interest) (B)	**-**	**1,819**	**319**
Denominator for basic earnings per share (number of shares outstanding)			
Weighted average number of shares outstanding (1)	5,905	5,597	5,148
Weighted average number of shares outstanding x corrective factor (2)	5,905	5,815	5,514
Adjustment: Average number of estimated shares to be converted (3)	-	-	315
Adjusted number of shares - Basic earning per share (C)	**5,905**	**5,815**	**5,829**
Adjusted number of shares - diluted earning per share (D)	**5,905**	**5,815**	**5,829**
Basic earnings per share from continued operations (Euros per share)A-B/C	**0.44**	**0.05**	**0.25**
Diluted earnings per share from continued operations (Euros per share)A-B/D	**0.44**	**0.05**	**0.25**
Basic earnings per share from discontinued operations (Euros per share)B/C	**-**	**0.31**	**0.05**
Diluted earnings per share from discontinued operations (Euros per share)B/D	**-**	**0.31**	**0.05**

(1) Weighted average number of shares outstanding (millions of euros), excluded weighted average of treasury shares during the period.

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

(3) Conversion of convertible bonds as of June 30, 2013 (see Note 21.4)

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

As of December 31, 2014, 2013 and 2012, there were no other financial instruments or share option commitments with employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason the basic and diluted earnings are matched.

6. Operating segment reporting

The information about operating segments is provided in accordance with IFRS 8. Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on as disaggregated level as possible, and all data relating to the businesses these units manage is recognized in full. These minimum level units are then aggregated in accordance with the organizational structure determined by the BBVA Group management into higher level units and, ultimately, the reportable segments themselves. Similarly, all the entities that make up the BBVA Group are also assigned to the different operating segments according to the geographical areas where they carry out their activity.

Once the composition of each of the operating segments in the BBVA Group has been defined, certain management criteria are applied, noteworthy among which are the following:

- Internal transfer prices

  The calculation of the net interest income of each business is performed by applying the internal transfer rates to both the asset and liability entries. These rates are composed of a market rate that depends on the revision period of the operation, and a liquidity premium that aims to reflect the conditions and outlook of the financial markets. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

- Allocation of operating expenses

  Both direct and indirect expenses are allocated to the operating segments, except for those items for which there is no clearly defined or close link with the businesses, as they represent corporate or institutional expenses incurred on behalf of the Group as a whole.

- Cross-selling

  On certain occasions, adjustments are made to eliminate overlap accounted for in the results of two or more units as a result of encouraging cross-selling between businesses.

During 2014, the operating segment reporting structure is as in 2013, and is as follows:

- Banking activity in Spain which as in previous years includes:
  - The Retail network, with the segments of individual customers, private banking, and small businesses.
  - Corporate and Business Banking (CBB), which handles the SMEs, corporations and public sector in the country.
  - Corporate & Investment Banking (CIB), which includes business with large corporations and multinational groups and the trading floor and distribution business in the same geographical area.
  - Other units, among them BBVA Seguros and Asset Management (management of mutual and pension funds in Spain.
  - In addition, it also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- Real estate activity in Spain

  Manage the assets of the real-estate area accumulated by the Group as a result of the crisis in Spain. It therefore mainly combines loans to real-estate developers and foreclosed real estate assets.

- Eurasia

  Includes the business carried out in the rest of Europe and Asia, i.e. the retail and wholesale businesses of the BBVA Group in the area. It also includes BBVA's stakes in the Turkish bank Garanti and the Chinese banks CNCB and CIFH.

- Mexico

  Comprising of the banking and insurance businesses. The banking business includes retail business through its Commercial Banking, Consumer Finance and Corporate and Institutional Banking units; and wholesale banking through CIB.

- The United States

  Encompasses the Group's businesses in the United States.

- South America

  Includes the banking and insurance businesses that BBVA carries out in the region.

Finally, Corporate Center is an aggregate that contains the remainder of the items that have not been allocated to the operating segments, as it basically corresponds to the Group's holding function. It groups together the costs of the headquarters that have a corporate function; management of structural exchange-rate positions, carried out by the Financial Planning unit; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with pensioners; goodwill and other intangibles; and the results of certain corporate transactions.

The breakdown of the BBVA Group's total assets by operating segments as of December 31, 2014, 2013 and 2012, is as follows:

	Millions of Euros		
Total Assets by Operating Segments	**2014**	**2013 (*)**	**2012 (*)**
Spain	318,353	314,902	345,521
Real Estate Activity in Spain	17,934	20,582	22,112
Eurasia (1)	44,667	41,223	48,324
Mexico	93,731	81,801	82,722
South America	84,364	77,874	75,877
United States	69,261	53,046	53,880
Subtotal Assets by Operating Segments	628,310	589,428	628,436
Corporate Center and other adjustments (2)	3,632	(6,731)	(7,304)
Total Assets BBVA Group	**631,942**	**582,697**	**621,132**

(1) The information is presented under management criteria, pursuant to which Garanti's assets and liabilities have been proportionally integrated based on our 25.01% interest in Garanti.

(2) Other adjustments include adjustments made to account for the fact that, in our Consolidated Financial Statements, Garanti is accounted for using the equity method rather than using the management criteria referred above.

(*) The figures corresponding to December 2013 and 2012 have been restated in order to allow homogeneous year-on-year comparisons due to immaterial changes in the scope of the operating segments and a change in accounting criteria registered in the Corporate Center (see Note 1.3).

The profit and main earning figures in the consolidated income statements for the year ended December 31, 2014, 2013 and 2012 by operating segments are as follows:

	Millions of Euros								
		Operating Segments							
Main Margins and Profits by Operating Segments	**BBVA Group**	**Spain**	**Real Estate Activity in Spain**	**Eurasia**	**Mexico**	**South America**	**United States**	**Corporate Center**	**Adjusments (2)**
2014									
Net interest income	14,382	3,830	(38)	924	4,910	4,699	1,443	(651)	(734)
Gross income	20,725	6,622	(132)	1,680	6,522	5,191	2,137	(664)	(632)
Net operating income (1)	10,166	3,777	(291)	942	4,115	2,875	640	(1,653)	(240)
Operating profit /(loss) before tax	3,980	1,463	(1,225)	713	2,519	1,951	561	(1,920)	(83)
Profit	**2,618**	**1,028**	**(876)**	**565**	**1,915**	**1,001**	**428**	**(1,444)**	**-**
2013 (*)									
Net interest income	13,900	3,838	(3)	909	4,478	4,660	1,402	(671)	(713)
Gross income	20,752	6,103	(38)	1,717	6,194	5,583	2,047	(416)	(439)
Net operating income (1)	9,956	3,088	(188)	981	3,865	3,208	618	(1,584)	(34)
Operating profit /(loss) before tax	954	230	(1,838)	586	2,358	2,354	534	(1,680)	(1,590)
Profit	**2,084**	**589**	**(1,252)**	**449**	**1,802**	**1,224**	**390**	**(1,117)**	**-**
2012(*)									
Net interest income	14,474	4,729	(21)	851	4,174	4,236	1,550	(397)	(648)
Gross income	21,824	6,659	(79)	1,665	5,751	5,308	2,198	391	(68)
Net operating income (1)	11,450	3,776	(209)	886	3,590	3,023	722	(681)	344
Operating profit /(loss) before tax	1,582	1,651	(5,705)	508	2,223	2,234	620	(783)	833
Profit	**1,676**	**1,186**	**(4,068)**	**404**	**1,687**	**1,172**	**445**	**850**	**-**

(1) Gross Income less Administrative Cost and Amortization

(2) Includes adjustments due to Garanti Group accounted for using the equity method instead of using management criteria as referenced earlier.

(*) The figures corresponding to December 2013 and 2012 have been restated in order to allow homogeneous year-on-year comparisons due to immaterial changes in the scope of the operating segments and a change in accounting criteria registered in the Corporate Center (see Note 1.3).

There is further information in the accompanying consolidated Management Report (see Chapter 2) regarding the income statements and the main values of the balance sheet by operating segments 2014.

7. Risk management

7.1 General risk management and control model

The BBVA Group has an overall control and risk management model (hereinafter 'the model') tailored to their business, their organization and the geographies in which it operates, allowing them to develop their activity in accordance with their strategy and policy control and risk management defined by the governing bodies of the Bank and adapt to a changing economic and regulatory environment, tackling management globally and adapted to the circumstances of each instance.

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

- Governance and organization
- Risk appetite
- Decisions and processes
- Assessment, monitoring and reporting
- Infrastructure

The Group encourages the development of a risk culture to ensure consistent application of the control and risk management model in the Group, and to ensure that the risk function is understood and assimilated at all levels of the organization.

7.1.1 Governance and organization

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

Thus, as developed below, the corporate bodies are the ones that approve this risk strategy and corporate policies for the different types of risk, being the risk function responsible for the management, its implementation and development, reporting to the governing bodies.

The responsibility for the daily management of the risks lies on the businesses which abide in the development of their activity to the policies, standards, procedures, infrastructure and controls, based on the framework set by the governing bodies, which are defined by the function risk.

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

Corporate governance system

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

The Board of Directors (hereinafter also referred to as "the Board") approves the risk strategy and supervises the internal control and management systems. Specifically, the strategy approved by the Board includes, at least, the Group's Risk Appetite statement, the fundamental metrics and the basic structure of limits by geographies, types of risk and asset classes, as well as the bases of the control and risk management model. The Board ensures that the budget is in line with the approved risk appetite.

On the basis established by the Board of Directors, the Executive Committee approves specific corporate policies for each type of risk. Furthermore, the committee approves the Group's risk limits and monitors them, being informed of both limit excess occurrences and, where applicable, the appropriate corrective measures taken.

Lastly, the Board of Directors has set up a Board committee specializing in risks, the Risk Committee ("RC"). This committee is responsible for analyzing and regularly monitoring risks within the remit of the corporate bodies and assists the Board and the SC in determining and monitoring the risk strategy and the corporate policies, respectively. Another task of special relevance it carries out is detailed control and monitoring of the risks that affect the Group as a whole, which enables it to supervise the effective integration of the risk strategy management and the application of corporate policies approved by the corporate bodies.

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

The Chief Risk Officer, for the utmost performance of its functions, is supported by a cross composed set of units in corporate risk and the specific risk units in the geographical and / or business areas of the Group structure. Each of these units is headed by a Risk Officer for the geographical and/or business area who, within his/her field of competence, carries out risk management and control functions and is responsible for applying the corporate policies and rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and reporting to the local corporate bodies.

The Risk Officers of the geographical and/or business areas report both to the Group's Chief Risk Officer and to the head of their geographical and/or business area. This dual reporting system aims to ensure that the local risk management function is independent from the operating functions and that it is aligned with the Group's corporate risk policies and goals.

Organizational structure and committees

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

- The corporate area's risk units develop and present the Group's risk appetite proposal, corporate policies, rules and global procedures and infrastructures to the Group's Chief Risk Officer (CRO), within the action framework approved by the corporate bodies, ensure their application, and report either directly or through the Group's Chief Risk Officer (CRO) to the Bank's corporate bodies.

  Their functions include:

  - Management of the different types of risks at Group level in accordance with the strategy defined by the corporate bodies.
  - Risk planning aligned with the risk appetite principles.
  - Monitoring and control of the Group's risk profile in relation to the risk appetite approved by the Bank's corporate bodies, providing accurate and reliable information with the required frequency and in the necessary format.
  - Prospective analyses to enable an evaluation of compliance with the risk appetite in stress scenarios and the analysis of risk mitigation mechanisms.
  - Management of the technological and methodological developments required for implementing the Model in the Group.
  - Design of the Group's Internal Risk Control model and definition of the methodology, corporate criteria and procedures for identifying and prioritizing the risk inherent in each unit's activities and processes.
  - Validation of the models used and the results obtained by them in order to verify their adaptation to the different uses to which they are applied.

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

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

The risk function has a decision-making process to perform its functions, underpinned by a structure of committees, where the Global Risk Management Committee (GRMC) acts as the highest committee within Risk. It proposes, examines and, where applicable, approves, among others, the internal risk regulatory framework and the procedures and infrastructures needed to identify, assess, measure and manage the material risks faced by the Group in its businesses. The members of this Committee are the Group's Chief Risk Officer and the heads of the risk units of the corporate area and of the most representative geographical and/or business areas.

The Global Risk Management Committee (GRMC) carries out its functions assisted by various support committees which include:

- Global Technical Operations Committee: It is responsible for decision-making related to wholesale credit risk admission in certain customer segments.
- Monitoring, Assessment & Reporting Committee: It guarantees and ensures the appropriate development of aspects related to risk identification, assessment, monitoring and reporting, with an integrated and cross-cutting vision.
- Asset Allocation Committee: The executive body responsible for analysis and decision-making on all credit risk matters related to the processes intended for obtaining a balance between risk and return in accordance with the Group's risk appetite.
- Technology and Methodologies Committee: It determines the need for new models and infrastructures and channels the decision-making related to the tools needed for managing all the risks to which the Group is exposed.
- Corporate Technological Risks and Operational Control Committee: It approves the Technological Risks and Operational Control Management Frameworks in accordance with the General Risk Management Model's architecture and monitors metrics, risk profiles and operational loss events.
- Global Market Risk Unit Committee: It is responsible for formalizing, supervising and communicating the monitoring of trading desk risk in all the Global Markets business units.
- Corporate Operational and Outsourcing Risk Admission Committee: It identifies and assesses the operational risks of new businesses, new products and services, and outsourcing initiatives.

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

Under this organizational scheme, the risk management function ensures the risk strategy, the regulatory framework, and standardized risk infrastructures and controls are integrated and applied across the entire Group. It also benefits from the knowledge and proximity to customers in each geographical and/or business area, and transmits the corporate risk culture to the Group's different levels.

Internal Risk Control and Internal Validation

The Group has a specific Internal Risk Control unit whose main function is to ensure there is an adequate internal regulatory framework in place, together with a process and measures defined for each type of risk identified in the Group, (and for other types of risk that could potentially affect the Group, to oversee their application and operation, and to ensure that the risk strategy is integrated into the Group's management. The Internal Risk Control unit is independent from the units that develop risk models, manage running processes and controls. Its scope is global both geographically and in terms of type of risk.

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

For this purpose, the Risk area also has a Technical area independent from the units that develop risk models, manage running processes and controls, which gives the Commission the necessary technical support to better perform their functions.

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

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

BBVA Group's internal control system is based on the best practices developed in "Enterprise Risk Management – Integrated Framework" by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and in the "Framework for Internal Control Systems in Banking Organizations" by the Bank for International Settlements (BIS).

The control model has a system with three lines of defense:

- The first line is made up of the Group's business units, which are responsible for control within their area and for executing any measures established by higher management levels.
- The second line consists of the specialized control units (Legal Compliance, Global Accounting & Information Management/Internal Financial Control, Internal Risk Control, IT Risk, Fraud & Security, Operations Control and the Production Divisions of the support units, such as Human Resources, Legal Services, etc.). This line supervises the control of the various units within their cross-cutting field of expertise, defines the necessary improvement and mitigating measures, and promotes their proper implementation. The Corporate Operational Risk Management unit also forms part of this line, providing a methodology and common tools for management.
- The third line is the Internal Audit unit, which conducts an independent review of the model, verifying the compliance and effectiveness of the corporate policies and providing independent information on the control model.

7.1.2 Risk appetite

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

- To express the Group's strategy and the maximum levels of risk it is willing to assume, at both Group and geographical and/or business area level.
- To establish a set of guidelines for action and a management framework for the medium and long term that prevent actions from being taken (at both Group and geographical and/or business area level) which could compromise the future viability of the Group.
- To establish a framework for relations with the geographical and/or business areas that, while preserving their decision-making autonomy, ensures they act consistently, avoiding uneven behavior.
- To establish a common language throughout the organization and develop a compliance-oriented risk culture.

- Alignment with the new regulatory requirements, facilitating communication with regulators, investors and other stakeholders, thanks to an integrated and stable risk management framework.

Risk appetite is expressed through the following elements:

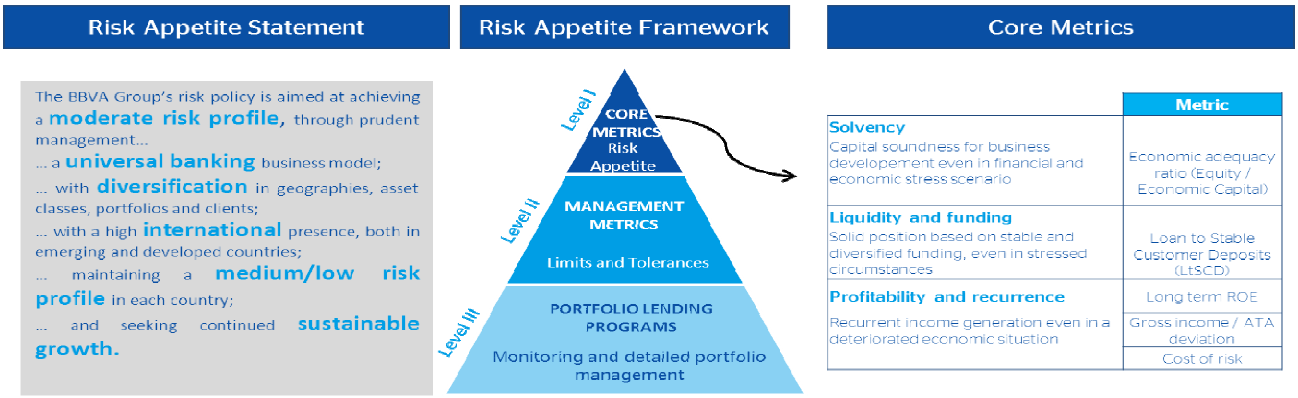
- Risk appetite statement: sets out the general principles of the Group's risk strategy and the target risk profile. BBVA's risk policy aims to maintain the risk profile set out in the Group's risk appetite statement, which is reflected in a series of metrics (fundamental metrics and limits).
- Fundamental metrics: they reflect, in quantitative terms, the principles and the target risk profile set out in the risk appetite statement.
- Limits: they establish the risk appetite at geographical and/or business area, legal entity and risk type level, or any other level deemed appropriate, enabling its integration into management.

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

The BBVA Group assumes a certain degree of risk to be able to provide financial services and products to its customers and obtain attractive returns for its shareholders. The organization must understand, manage and control the risks it assumes.

The aim of the organization is not to eliminate all risks, but to assume a prudent level of risks that allows it to generate returns while maintaining acceptable capital and fund levels and generating recurrent earnings.

BBVA's risk appetite expresses the levels and types of risk that the bank is willing to assume to be able to implement its strategic plan with no relevant deviations, even in situations of stress.



Fundamental metrics

Those metrics that characterize the bank's objective behavior (as defined in the statement), enabling the expression of the risk culture at all levels in a structured and understandable manner. They summarize the bank's goals, and are therefore useful for communication to the stakeholders.

The fundamental metrics are strategic in nature. They are disseminated throughout the Group, understandable and easy to calculate, and objectifiable at business and/or geographical area level, so they can be subject to future projections.

Limits

Metrics that determine the bank's strategic positioning for the different types of risk: credit, ALM, liquidity, markets, operational. They differ from the fundamental metrics in the following respects:

- They are levers, not the result. They are a management tool related to a strategic positioning that must be geared toward ensuring compliance with the fundamental metrics, even in an adverse scenario.
- Risk metrics: a higher level of specialization, they do not necessarily have to be disseminated across the Group.
- Independent of the cycle: they can include metrics with little correlation with the economic cycle, thus allowing comparability that is isolated from the specific macroeconomic situation.

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

7.1.3 Decisions and processes

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

- A standardized set of regulations
- Risk planning
- Integrated management of risks over their life cycle

Standardized regulatory framework

The corporate GRM area is responsible for proposing the definition and development of the corporate policies, specific rules, procedures and schemes of delegation based on which risk decisions should be taken within the Group.

This process aims for the following objectives:

- Hierarchy and structure: well-structured information through a clear and simple hierarchy creating relations between documents that depend on each other.
- Simplicity: an appropriate and sufficient number of documents.
- Standardization: a standardized name and content of document.
- Accessibility: ability to search for, and easy access to, documentation through the corporate risk management library.

The approval of corporate policies for all types of risks corresponds to the corporate bodies of the Bank, while the corporate risk area endorses the remaining regulations.

Risk units of geographical and / or business areas continue to adapt to local requirements the regulatory framework for the purpose of having a decision process that is appropriate at local level and aligned with the Group policies. If such adaptation is necessary, the local risk area must inform the corporate GRM area, which must ensure the consistency of the set of regulations at the level of the entire Group, and thus must give its approval prior to any modifications proposed by the local risk areas.

Risk planning

Risk planning ensures that the risk appetite is integrated into management, through a cascade process for establishing limits, in which the function of the corporate area risk units and the geographical and/or business areas is to guarantee the alignment of this process against the Group's risk appetite.

It has tools in place that allow the risk appetite defined at aggregate level to be assigned and monitored by business areas, legal entities, types of risk, concentrations and any other level considered necessary.

The risk planning process is present within the rest of the Group's planning framework so as to ensure consistency among all of them.

Daily risk management

All risks must be managed integrally during their life cycle, and be treated differently depending on the type.

The risk management cycle is composed of 5 elements:

- Planning: with the aim of ensuring that the Group's activities are consistent with the target risk profile and guaranteeing solvency in the development of the strategy.
- Assessment: a process focused on identifying all the risks inherent to the activities carried out by the Group.
- Formalization: includes the risk origination, approval and formalization stages.
- Monitoring and reporting: continuous and structured monitoring of risks and preparation of reports for internal and/or external (market, investors, etc.) consumption.
- Active portfolio management: focused on identifying business opportunities in existing portfolios and new markets, businesses and products.

7.1.4 Assessment, monitoring and reporting

Assessment, monitoring and reporting is a cross-cutting element that should ensure that the Model has a dynamic and proactive vision to enable compliance with the risk appetite approved by the corporate bodies, even in adverse scenarios. The materialization of this process covers all the categories of material risks and has the following objectives:

- Assess compliance with the risk appetite at the present time, through monitoring of the fundamental management metrics and limits.
- Assess compliance with the risk appetite in the future, through the projection of the risk appetite variables, in both a baseline scenario determined by the budget and a risk scenario determined by the stress tests.
- Identify and assess the risk factors and scenarios that could compromise compliance with the risk appetite, through the development of a risk repository and an analysis of the impact of those risks.
- Act to mitigate the impact in the Group of the identified risk factors and scenarios, ensuring this impact remains within the target risk profile.
- Monitor the key variables that are not a direct part of the risk appetite, but that condition its compliance. These can be either external or internal.

The following phases need to be developed for undertaking this process:

A) Identification of risk factors

Aimed at generating a map with the most relevant risk factors that can compromise the Group's performance in relation to the thresholds defined in the risk appetite.

B) Impact evaluation

This involves evaluating the impact that the materialization of one (or more) of the risk factors identified in the previous phase could have on the risk appetite metrics, through the occurrence of a given scenario.

C) Response to undesired situations and realignment measures

Exceeding the parameters will trigger an analysis of the realignment measures to enable dynamic management of the situation, even before it occurs.

D) Monitoring

The aim is to avoid losses before they occur by monitoring the Group's current risk profile and the identified risk factors.

E) Reporting

This aims to provide information on the assumed risk profile by offering accurate, complete and reliable data to the corporate bodies and to senior management, with the frequency and completeness appropriate to the nature, significance and complexity of the risks.

7.1.5 Infrastructure

The infrastructure is an element that must ensure that the Group has the human and technological resources needed for effective management and supervision of risks in order to carry out the functions set out in the Group's risk Model and the achievement of their objectives.

With respect to human resources, the Group's risk function will have an adequate workforce, in terms of number, skills and experience.

With regards to technology, the Group ensures the integrity of management information systems and the provision of the infrastructure needed for supporting risk management, including tools appropriate to the needs arising from the different types of risks for their admission, management, assessment and monitoring.

The principles that govern the Group risk technology are:

- Standardization: the criteria are consistent across the Group, thus ensuring that risk handling is standardized at geographical and/or business area level.
- Integration in management: the tools incorporate the corporate risk policies and are applied in the Group's day-to-day management.
- Automation of the main processes making up the risk management cycle.
- Appropriateness: provision of adequate information at the right time.

Through the "Risk Analytics" function, the Group has a corporate framework in place for developing the measurement techniques and models. It covers all the types of risks and the different purposes and uses a standard language for all the activities and geographical/business areas and decentralized execution to make the most of the Group's global reach. The aim is to continually evolve the existing risk models and generate others that cover the new areas of the businesses that develop them, so as to reinforce the anticipation and proactiveness that characterize the Group's risk function.

Also the risk units of geographical and / or business areas shall ensure that they have sufficient means from the point of view of resources, structures and tools to develop a risk management in line with the corporate model.

7.1.6 Risk culture

BBVA considers risk culture to be an essential element for consolidating and integrating the other components of the Model. The culture transfers the implications that are involved in the Group's activities and businesses to all the levels of the organization. The risk culture is organized through a number of levers, including the following:

- Communication: promotes the dissemination of the Model, and in particular the principles that must govern risk management in the Group, in a consistent and integrated manner across the organization, through the most appropriate channels.

  GRM has a number of communication channels to facilitate the transmission of information and knowledge among the various teams in the function and the Group, adapting the frequency, formats and recipients based on the proposed goal, in order to strengthen the basic principles of the risk function. The risk culture and the management model thus emanate from the Group's corporate bodies and senior management and are transmitted throughout the organization.

- Training: its main aim is to disseminate and establish the model of risk management across the organization, ensuring standards in the skills and knowledge of the different persons involved in the risk management processes.

  Well defined and implemented training ensures continuous improvement of the skills and knowledge of the Group's professionals, and in particular of the GRM area, and is based on four aspects that aim to develop each of the needs of the GRM group by increasing its knowledge and skills in different fields such as: finance and risks, tools and technology, management and skills, and languages.

- Motivation: the aim in this area is for the incentives of the risk function teams to support the strategy for managing those teams and the function's values and culture at all levels. Includes compensation and all those elements related to motivation – working environment, etc… which contribute to the achievement Model objectives.

7.2 Risk events

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 variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

To this extent, there are a number of emerging risks that could affect the Group's business trends. These risks are described in the following main blocks:

I. Macroeconomic and geopolitical risks

- The slowdown in economic growth in emerging countries and potential difficulties in the recovery of European economies is a major focus for the Group.

- In addition, financial institutions are exposed to the risks of political and social instability in the countries in which they operate, which can have significant effects on their economies and even regionally.

In this regard the Group's diversification is a key to achieving a high level of recurring revenues, despite environmental conditions and economic cycles of the economies in which it operates.

II. Regulatory, legal and reputational risks

- Financial institutions are exposed to a complex and ever-changing regulatory and legal environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt best practices and more efficient and rigorous criteria in its implementation

- The financial sector is under ever closer scrutiny by regulators, governments and society itself. Negative news or inappropriate behavior can significantly damage the Group's reputation and affect its ability to develop a sustainable business. The attitudes and behaviors of the group and its members are governed by the principles of integrity, honesty, long-term vision and best practices through, inter alia, internal control model, the Code of Conduct and Responsible Business Strategy of the Group.

III. Business and operational 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…)

- Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control. One example was the early adoption of advanced models for management of these risks (AMA - Advanced Measurement Approach).

7.3 Credit risk

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

It is the most important risk for the Group and includes counterparty risk, issuer risk, settlement risk and country risk management.

The principles underpinning credit risk management in BBVA are as follows:

- Availability of basic information for the study and proposal of risk, and supporting documentation for approval, which sets out the conditions required by the relevant body.
- Sufficient generation of funds and asset solvency of the customer to assume principal and interest repayments of loans owed.
- Establishment of adequate and sufficient guarantees that allow effective recovery of the operation, this being considered a secondary and exceptional method of recovery when the first has failed.

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

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

7.3.1 Credit risk exposure

In accordance with IFRS 7, the BBVA Group's maximum credit risk exposure (see definition below) by headings in the balance sheet as of December 31, 2014, 2013 and 2012 is provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties:

		Millions of Euros		
Maximum Credit Risk Exposure	**Notes**	**2014**	**2013**	**2012**
Financial assets held for trading		**39,028**	**34,473**	**31,180**
Debt securities	10	33,883	29,601	28,021
Government		28,212	24,696	23,370
Credit institutions		3,048	2,734	2,545
Other sectors		2,623	2,172	2,106
Equity instruments		5,017	4,766	2,915
Customer lending		128	106	244
Other financial assets designated at fair value through profit or loss		**2,761**	**2,414**	**2,530**
Debt securities	11	737	664	753
Government		141	142	174
Credit institutions		16	16	45
Other sectors		580	506	534
Equity instruments		2,024	1,750	1,777
Available-for-sale financial assets		**94,125**	**77,407**	**66,567**
Debt securities	12	86,858	71,439	62,615
Government		63,764	48,728	38,926
Credit institutions		7,377	10,431	13,157
Other sectors		15,717	12,280	10,532
Equity instruments		7,267	5,968	3,952
Loans and receivables		**384,461**	**364,031**	**384,097**
Loans and advances to credit institutions	13.1	26,975	22,792	25,372
Loans and advances to customers	13.2	350,822	336,759	354,973
Government		37,113	32,400	34,917
Agriculture		4,316	4,982	4,738
Industry		37,395	28,679	30,731
Real estate and construction		32,899	40,486	47,223
Trade and finance		43,597	47,169	51,912
Loans to individuals		157,476	149,891	151,244
Other		38,026	33,151	34,208
Debt securities	13.3	6,664	4,481	3,751
Government		5,608	3,175	2,375
Credit institutions		81	297	453
Other sectors		975	1,009	923
Held-to-maturity investments		**-**	**-**	**10,162**
Government		-	-	9,210
Credit institutions		-	-	392
Other sectors		-	-	560
Derivatives (trading and hedging)		**47,248**	**41,294**	**49,208**
Subtotal		**567,623**	**519,620**	**543,744**
Valuation adjustments		980	1,068	338
Total Financial Assets Risk		**568,603**	**520,688**	**544,082**
Financial guarantees (Bank guarantees, letter of credits,..)		33,741	33,543	37,019
Drawable by third parties		96,714	87,542	83,519
Government		1,359	4,354	1,360
Credit institutions		1,057	1,583	1,946
Other sectors		94,299	81,605	80,213
Other contingent commitments		9,537	6,628	6,624
Total Contingent Risks and Commitments	32	**139,993**	**127,712**	**127,161**
Total Maximum Credit Exposure		**708,596**	**648,400**	**671,243**

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

- In the case of financial assets recognized in the consolidated balance sheets, exposure to credit risk is considered equal to its gross carrying amount, not including certain valuation adjustments (impairment losses, hedges and others), with the sole exception of trading and hedging derivatives.
- The maximum credit risk exposure on financial guarantees granted is the maximum that the Group would be liable for if these guarantees were called in, and that is their carrying amount.
- Our calculation of risk exposure for derivatives is based on the sum of two factors: the derivatives fair value and their potential risk (or "add-on").
- The first factor, market value, reflects the difference between original commitments and market values on the reporting date (mark-to-market). As indicated in Note 2.2.1 to the consolidated financial statements, derivatives are accounted for as of each reporting date at fair value in accordance with IAS 39.
- The second factor, potential risk ('add-on'), is an estimate of the maximum increase to be expected on risk exposure over a derivative market value (at a given statistical confidence level) as a result of future changes in the fair value over the remaining term of the derivatives.

The consideration of the potential risk ("add-on") relates the risk exposure to the exposure level at the time of a customer's default. The exposure level will depend on the customer's credit quality and the type of transaction with such customer. Given the fact that default is an uncertain event which might occur any time during the life of a contract, the BBVA Group has to consider not only the credit exposure of the derivatives on the reporting date, but also the potential changes in exposure during the life of the contract. This is especially important for derivatives, whose valuation changes substantially throughout their terms, depending on the fluctuation of market prices.

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

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

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

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

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

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

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

- Financial instruments held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument.

- Trading and hedging derivatives: In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees, depending on counterparty solvency and the nature of the transaction.
- Other financial assets designated at fair value through profit or loss and Available-for-sale financial assets: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.
- Loans and receivables:
  - Loans and advances to credit institutions: These usually only have the counterparty's personal guarantee.
  - Loans and advances to customers: Most of these operations are backed by personal guarantees extended by the counterparty. There may also be collateral to secure loans and advances to customers (such as mortgages, cash guarantees, pledged securities and other collateral), or to obtain other credit enhancements (bonds, hedging, etc.).
  - Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.

Collateralized loans granted by the Group as of December 31, 2014, 2013 and 2012 excluding balances deemed impaired, is broken down in the table below:

	Millions of Euros		
Collateralized Credit Risk	**2014**	**2013**	**2012**
Mortgage loans	**124,097**	**125,564**	**137,870**
Operating assets mortgage loans	4,062	3,778	3,897
Home mortgages	109,031	108,745	119,235
Rest of mortgages (1)	11,005	13,041	14,739
Secured loans, except mortgage	**28,419**	**23,660**	**23,125**
Cash guarantees	468	300	377
Secured loan (pledged securities)	518	570	997
Rest of secured loans (2)	27,433	22,790	21,751
Total	**152,517**	**149,224**	**160,995**

(1) Loans with mortgage collateral (other than residential mortgage) for property purchase or construction.

(2) Includes loans with cash collateral, other financial assets with partial collateral.

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

7.3.3 Financial instrument netting

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

In addition, the Group has unnetted assets and liabilities on the balance sheet for which there are master netting arrangements in place, but for which there is neither the intention nor the right to settle. The most common types of events that trigger the netting of reciprocal obligations are bankruptcy of the entity, swifter accumulation of indebtedness, 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 purchased or sold under a purchase agreement there has greatly increased the volume transacted through clearing houses that articulate mechanisms to reduce counterparty risk, as well as through the signature of various master agreements for bilateral transactions, the most widely used being the Global Master Repurchase Agreement (GMRA), published by ICMA (International Capital Market Association), to which the clauses related to the collateral exchange are usually added within the text of the master agreement itself.

The assets and liabilities subject to contractual netting rights at the time of their settlement are presented below as of December 31, 2014.

					Millions of Euros		
					Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets (D)		
2014		Gross Amounts Recognized (A)	Gross Amounts Offset in the Condensed Consolidated Balance Sheets (B)	Net Amount Presented in the Condensed Consolidated Balance Sheets (C=A-B)	Financial Instruments	Cash Collateral Received/ Pledged	Net Amount (E=C-D)
Derivative financial assets	10, 14	55,277	8,497	46,780	33,196	6,844	6,740
Reverse repurchase, securities borrowing and similar agreements	34	17,639	-	17,639	16,143	339	1,157
Total Assets		**72,916**	**8,497**	**64,419**	**49,339**	**7,183**	**7,896**
Derivative financial liabilities	10, 14	56,710	9,327	47,383	33,158	9,624	4,601
Repurchase, securities lending and similar agreements	34	66,326	-	66,326	51,143	10	15,173
Total Liabillities		**123,036**	**9,327**	**113,709**	**84,301**	**9,634**	**19,773**

7.3.4 Risk concentration

Policies for preventing excessive risk concentration

In order to prevent the build-up of excessive concentrations of credit risk at the individual, country and sector levels, BBVA Group maintains maximum permitted risk concentration indices updated at individual and portfolio sector levels tied to the various observable variables within the field of credit risk management. The limit on the Group's exposure or financial commitment to a specific customer therefore depends on the customer's credit rating, the nature of the risks involved, and the Group's presence in a given market, based on the following guidelines:

- The aim is, as much as possible, to reconcile the customer's credit needs (commercial/financial, short-term/long-term, etc.) with the interests of the Group.

- Any legal limits that may exist concerning risk concentration are taken into account (relationship between risks with a customer and the capital of the entity that assumes them), the markets, the macroeconomic situation, etc.

Risk concentrations by geography

Below is a breakdown of the balances of financial instruments registered in the accompanying consolidated balance sheets by their concentration in geographical areas and according to the residence of the customer or counterparty. It does not take into account valuation adjustments, impairment losses or loan-loss provisions:

Millions of Euros

Risks by Geographical Areas December 2014	Spain	Europe, Excluding Spain	Mexico	USA	South America	Rest	Total
Financial assets -							
Financial assets held for trading	17,461	36,039	17,091	6,126	4,337	2,206	83,258
Loans and advances to customers	-	-	-	128	-	-	128
Debt securities	7,816	6,512	13,747	2,654	2,656	499	33,883
Equity instruments	2,541	1,334	342	457	171	172	5,017
Derivatives	7,103	28,193	3,003	2,886	1,510	1,535	44,229
Other financial assets designated at fair value through profit or loss	189	152	1,836	581	3	-	2,761
Loans and advances to credit institutions	-	-	-	-	-	-	-
Debt securities	94	62	-	581	-	-	737
Equity instruments	95	90	1,836	-	3	-	2,024
Available-for-sale portfolio	45,465	13,673	13,169	10,780	6,079	4,958	94,125
Debt securities	42,267	13,348	13,119	10,222	5,973	1,929	86,858
Equity instruments	3,198	326	50	558	106	3,029	7,267
Loans and receivables	185,924	31,597	52,157	52,080	57,911	4,792	384,460
Loans and advances to credit institutions	4,172	13,313	2,497	3,521	2,180	1,291	26,975
Loans and advances to customers	178,735	18,274	49,660	47,635	53,018	3,501	350,822
Debt securities	3,017	9	-	924	2,713	-	6,663
Held-to-maturity investments	-	-	-	-	-	-	-
Hedging derivatives	708	1,699	182	66	14	2	2,672
Total Risk in Financial Assets	**249,747**	**83,160**	**84,435**	**69,633**	**68,344**	**11,958**	**567,276**
Contingent risks and liabilities							
Contingent risks	13,500	8,454	1,220	3,161	5,756	1,650	33,741
Contingent liabilities	25,577	22,973	19,751	29,519	7,343	1,087	106,251
Total Contingent Risk	**39,077**	**31,427**	**20,971**	**32,680**	**13,099**	**2,738**	**139,992**
Total Risks in Financial Instruments	**288,824**	**114,587**	**105,406**	**102,313**	**81,443**	**14,696**	**707,268**

Millions of Euros

Risks by Geographical Areas December 2013	Spain	Europe, Excluding Spain	Mexico	USA	South America	Rest	Total
Financial assets -							
Financial assets held for trading	14,882	33,091	15,707	2,677	3,412	2,345	72,114
Loans and advances to customers	-	-	-	107	-	-	107
Debt securities	6,320	5,838	13,410	424	2,608	1,002	29,602
Equity instruments	2,752	953	632	118	148	163	4,766
Derivatives	5,810	26,300	1,665	2,028	656	1,180	37,639
Other financial assets designated at fair value through profit or loss	211	106	1,591	503	2	-	2,413
Loans and advances to credit institutions	-	-	-	-	-	-	-
Debt securities	107	54	5	497	-	-	663
Equity instruments	104	52	1,586	6	2	-	1,750
Available-for-sale portfolio	42,074	8,587	10,380	7,729	5,626	3,011	77,407
Debt securities	38,732	8,453	10,329	7,247	5,535	1,143	71,439
Equity instruments	3,342	134	51	482	91	1,868	5,968
Loans and receivables	194,383	26,712	44,414	39,650	53,886	4,984	364,031
Loans and advances to credit institutions	5,224	9,171	2,366	2,707	1,909	1,415	22,792
Loans and advances to customers	187,400	17,519	42,048	36,047	50,173	3,569	336,759
Debt securities	1,759	22	-	896	1,804	-	4,481
Held-to-maturity investments	-	-	-	-	-	-	-
Hedging derivatives	434	2,113	8	60	10	4	2,629
Total Risk in Financial Assets	**251,984**	**70,609**	**72,100**	**50,618**	**62,935**	**10,344**	**518,591**
Contingent risks and liabilities							
Contingent risks	15,172	9,038	767	2,344	5,292	929	33,542
Contingent liabilities	28,096	17,675	16,109	24,485	7,002	803	94,170
Total Contingent Risk	**43,268**	**26,713**	**16,876**	**26,829**	**12,294**	**1,732**	**127,712**
Total Risks in Financial Instruments	**295,252**	**97,322**	**88,976**	**77,447**	**75,229**	**12,076**	**646,303**

Risks by Geographical Areas 2012	Spain	Europe, Excluding Spain	Mexico	USA	South America	Rest	Total
	Millions of Euros						
Financial assets -							
Financial assets held for trading	13,768	39,360	15,035	4,751	3,643	3,272	79,830
Loans and advances to customers	-	-	-	244	-	-	244
Debt securities	5,726	5,155	12,960	577	2,805	796	28,020
Equity instruments	1,270	519	101	543	239	243	2,915
Derivatives	6,772	33,686	1,973	3,387	599	2,233	48,651
Other financial assets designated at fair value through profit or loss	296	87	13	2,134	-	-	2,531
Loans and advances to credit institutions	-	-	-	-	-	-	-
Debt securities	190	42	9	512	-	-	753
Equity instruments	106	45	4	1,622	-	-	1,777
Available-for-sale portfolio	36,109	6,480	9,601	7,163	6,128	1,085	66,567
Debt securities	33,107	6,267	9,035	7,112	6,053	1,040	62,615
Equity instruments	3,002	213	566	51	75	45	3,952
Loans and receivables	209,786	31,375	46,384	40,259	51,978	4,314	384,096
Loans and advances to credit institutions	3,220	11,042	4,549	3,338	2,065	1,157	25,372
Loans and advances to customers	205,216	19,979	41,835	36,040	48,753	3,151	354,973
Debt securities	1,350	354	-	880	1,160	6	3,751
Held-to-maturity investments	7,279	2,884	-	-	-	-	10,162
Hedging derivatives	914	3,798	159	226	5	18	5,120
Total Risk in Financial Assets	**268,151**	**83,984**	**71,192**	**54,532**	**61,754**	**8,691**	**548,305**
Contingent risks and liabilities							
Contingent risks	16,164	10,074	872	3,159	5,858	891	37,019
Contingent liabilities	26,514	19,678	13,564	22,027	7,097	1,264	90,142
Total Contingent Risk	**42,678**	**29,752**	**14,435**	**25,186**	**12,955**	**2,155**	**127,161**
Total Risks in Financial Instruments	**310,829**	**113,736**	**85,627**	**79,718**	**74,709**	**10,846**	**675,466**

The breakdown of the main figures in the most significant foreign currencies in the accompanying consolidated balance sheets is set forth in Appendix VII.

Sovereign risk concentration

Sovereign risk management

The risk associated with the transactions involving sovereign risk is identified, measured, controlled and tracked by a centralized unit integrated in the BBVA Group's Risk Area. Its basic functions involve the preparation of reports in the countries where sovereign risk exists (called "financial programs"), tracking such risks, assigning ratings to these countries and, in general, supporting the Group in terms of reporting requirements for any transactions involving sovereign risk. The risk policies established in the financial programs are approved by the relevant risk committees.

The country risk unit tracks the evolution of the risks associated with the various countries to which the Group are exposed (including sovereign risk) on an ongoing basis in order to adapt its risk and mitigation policies to any macroeconomic and political changes that may occur. Moreover, it regularly updates its internal ratings and forecasts for these countries. The internal rating assignment methodology is based on the assessment of quantitative and qualitative parameters which are in line with those used by certain multilateral organizations such as the International Monetary Fund (IMF) and the World Bank (WB), rating agencies and export credit organizations.

Sovereign risk exposure

The table below provides a breakdown of exposure to financial instruments (excluding derivatives and equity instruments), as of December 31, 2014, 2013 and 2012 by type of counterparty and the country of residence of such counterparty. The below figures do not take into account valuation adjustments, impairment losses or loan-loss provisions:

	Millions of Euros				
	2014				
Risk Exposure by Countries	Sovereign Risk (*)	Financial Institutions	Other Sectors	Total	%
Spain	68,584	9,040	157,337	234,961	46.5%
Italy	9,823	713	2,131	12,667	2.5%
France	1,078	5,351	2,453	8,883	1.8%
United Kingdom	119	2,923	4,669	7,711	1.5%
Portugal	605	43	4,927	5,574	1.1%
Germany	590	1,129	1,565	3,284	0.6%
Ireland	167	148	565	880	0.2%
Turkey	21	214	246	482	0.1%
Greece	-	-	64	64	0.0%
Rest of Europe	1,182	6,011	4,800	11,993	2.4%
Europe	**82,170**	**25,573**	**178,757**	**286,499**	**56.7%**
Mexico	31,164	2,757	42,864	76,785	15.2%
The United States	11,241	3,941	52,849	68,031	13.5%
Rest of countries	7,676	4,669	62,052	74,398	14.7%
Total Rest of Countries	**50,081**	**11,367**	**157,765**	**219,213**	**43.3%**
Total Exposure to Financial Instruments	**132,251**	**36,939**	**336,522**	**505,713**	**100.0%**

Risk Exposure by Countries	Millions of Euros 2013 Sovereign Risk (*)	Financial Institutions	Other Sectors	Total	%
Spain	59,114	11,870	166,677	237,661	51.1%
United Kingdom	3	5,405	4,377	9,785	2.1%
Italy	3,888	422	2,617	6,927	1.5%
France	942	2,640	2,316	5,898	1.3%
Portugal	385	238	5,179	5,802	1.2%
Germany	1,081	1,338	1,206	3,625	0.8%
Ireland	-	221	487	708	0.2%
Turkey	10	65	163	238	0.1%
Greece	-	-	72	72	0.0%
Rest of Europe	2,608	2,552	4,239	9,399	2.0%
Europe	**68,031**	**24,751**	**187,333**	**280,115**	**60.2%**
Mexico	26,629	2,810	38,312	67,751	14.6%
The United States	5,224	3,203	41,872	50,299	10.8%
Rest of countries	7,790	5,480	53,649	66,919	14.4%
Total Rest of Countries	**39,643**	**11,493**	**133,833**	**184,969**	**39.8%**
Total Exposure to Financial Instruments	**107,674**	**36,244**	**321,166**	**465,084**	**100.0%**

Risk Exposure by countries	Millions of Euros 2012 Sovereign Risk (*)	Financial Institutions	Other Sectors	Total	%
Spain	62,558	11,839	182,785	257,182	52.9%
Turkey	13	159	400	572	0.1%
United Kingdom	2	7,095	2,336	9,433	1.9%
Italy	4,203	405	3,288	7,896	1.6%
Portugal	443	590	5,763	6,796	1.4%
France	1,739	3,291	2,631	7,661	1.6%
Germany	1,298	1,025	734	3,057	0.6%
Ireland	-	280	456	736	0.2%
Greece	-	-	99	99	0.0%
Rest of Europe	1,664	2,484	5,256	9,404	1.9%
Europe	**71,920**	**27,168**	**203,748**	**302,836**	**62.3%**
Mexico	25,059	5,492	36,133	66,684	13.7%
The United States	3,942	3,768	42,157	49,867	10.3%
Rest of countries	7,521	5,484	53,481	66,486	13.7%
Total Rest of Countries	**36,523**	**14,744**	**131,771**	**183,037**	**37.7%**
Total Exposure to Financial Instruments	**108,443**	**41,912**	**335,519**	**485,873**	**100.0%**

(*) In addition, as of December 31, 2014, 2013 and 2012, undrawn lines of credit, granted mainly to the Spanish government or government agencies and amounted to €1,619, €1,942 million, and €1,613 million, respectively.

The exposure to sovereign risk set out in the above table includes positions held in government debt securities in countries where the Group operates. They are used for ALCO's management of the interest-rate risk on the balance sheets of the Group's entities in these countries, as well as for hedging of pension and insurance commitments by insurance entities within the BBVA Group.

Sovereign risk exposure in Europe

The table below provides a breakdown of the exposure of the Group's credit institutions to European sovereign risk as of December 31, 2014, 2013 and 2012, by type of financial instrument and the country of residence of the counterparty, under EBA (European Banking Authority) requirements:

	Millions of Euros								
	2014								
	Debt securities				Derivatives (2)				
Exposure to Sovereign Risk by European Union Countries (1)	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held-to-Maturity Investments	Loans and Receivables	Direct Exposure	Indirect Exposure	Total	Contingent risks and commitments	%
Spain	6,332	28,856	-	25,997	431	-	61,616	1,647	83.0%
Italy	2,462	6,601	-	142	-	2	9,208	-	12.4%
France	872	40	-	28	-	-	940	-	1.3%
Germany	482	92	-	-	(97)	(1)	476	-	0.6%
Portugal	302	23	-	280	-	-	605	11	0.8%
United Kingdom	-	115	-	-	-	2	117	1	-
Greece	-	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-	-
Ireland	1	167	-	-	-	-	168	-	0.2%
Rest of European Union	910	131	-	33	-	1	1,075	-	1.4%
Total Exposure to Sovereign Counterparties (European Union)	**11,361**	**36,026**	**-**	**26,480**	**334**	**4**	**74,205**	**1,659**	**100.0%**

(1) This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€13,406 million as of December 31, 2014) is not included.

(2) Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

	Millions of Euros								
	2013								
	Debt securities				Derivatives (2)				
Exposure to Sovereign Risk by European Union Countries (1)	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held-to-Maturity Investments	Loans and Receivables	Direct Exposure	Indirect Exposure	Total	Contingent risks and commitments	%
Spain	5,251	24,339	-	23,430	258	(25)	53,253	1,924	86.5%
Italy	733	2,691	-	90	-	(6)	3,507	-	5.7%
France	874	-	-	-	-	(1)	873	-	1.4%
Germany	1,064	-	-	-	-	(1)	1,063	-	1.7%
Portugal	64	19	-	302	-	-	385	17	0.6%
United Kingdom	-	-	-	-	(13)	3	(10)	1	-
Greece	-	-	-	-	-	-	-	-	-
Hungary	-	65	-	-	-	-	65	-	0.1%
Ireland	-	-	-	-	-	-	-	-	-
Rest of European Union	2,087	293	-	38	-	10	2,428	-	3.9%
Total Exposure to Sovereign Counterparties (European Union)	**10,073**	**27,407**	**-**	**23,860**	**245**	**(20)**	**61,565**	**1,942**	**100.0%**

(1) This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€11,093 million as of December 31, 2013) is not included.

(2) Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

	Millions of Euros								
	2012								
	Debt securities				Derivatives (2)				
Exposure to Sovereign Risk by European Union Countries (1)	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held-to-Maturity Investments	Loans and Receivables	Direct Exposure	Indirect Exposure	Total	Contingent risks and commitments	%
Spain	5,022	19,751	6,469	26,624	285	5	58,156	1,595	86.6%
Italy	610	811	2,448	97	-	(3)	3,963	-	5.9%
France	1,445	-	254	-	-	(2)	1,697	-	2.5%
Germany	1,291	-	-	-	(4)	(1)	1,286	-	1.9%
Portugal	51	18	15	359	-	-	443	17	0.7%
United Kingdom	-	-	-	-	(19)	-	(19)	1	0.0%
Greece	-	-	-	-	-	-	-	-	0.0%
Hungary	-	66	-	-	-	-	66	-	0.1%
Ireland	-	-	-	-	-	-	-	-	0.0%
Rest of European Union	1,066	379	24	78	-	1	1,548	-	2.3%
Total Exposure to Sovereign Counterparties (European Union)	**9,485**	**21,025**	**9,210**	**27,158**	**262**	**-**	**67,140**	**1,613**	**100.0%**

(1) This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€5,093 million as of December 31, 2012) is not included.

(2) Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

The following table provides a breakdown of the notional value of the CDS in which the Group's credit institutions act as sellers or buyers of protection against the sovereign risk of European countries as of December 31, 2014, 2013 and 2012:

	Millions of Euros			
	2014			
	Credit derivatives (CDS) and other contracts in which the Group act as a protection seller		Credit derivatives (CDS) and other contracts in which the Group act as a protection buyer	
Exposure to Sovereign Risk by European Countries	Notional value	Fair value	Notional value	Fair value
Spain	-	-	-	-
Italy	704	(11)	699	8
Germany	154	-	129	(1)
France	173	-	89	(1)
Portugal	37	(1)	37	1
Poland	-	-	-	-
Belgium	-	-	-	-
United Kingdom	138	3	118	(1)
Greece	-	-	-	-
Hungary	2	-	2	-
Ireland	-	-	-	-
Rest of European Union	485	5	415	4
Total exposure to Sovereign Counterparties	**1,693**	**(4)**	**1,489**	**10**

	Millions of Euros			
	2013			
	Credit derivatives (CDS) and other contracts in which the Group act as a protection seller		Credit derivatives (CDS) and other contracts in which the Group act as a protection buyer	
Exposure to Sovereign Risk by European Countries	Notional value	Fair value	Notional value	Fair value
Spain	14	-	62	(25)
Italy	622	(15)	595	9
Germany	205	-	200	(1)
France	204	-	149	(1)
Portugal	75	(3)	75	3
Poland	-	-	-	-
Belgium	-	-	-	-
United Kingdom	135	3	126	-
Greece	14	-	14	-
Hungary	1	-	-	-
Ireland	21	-	21	-
Rest of European Union	591	12	478	(2)
Total exposure to Sovereign Counterparties	**1,882**	**(3)**	**1,720**	**(17)**

Exposure to Sovereign Risk by European Countries	Millions of Euros 2012 Credit derivatives (CDS) and other contracts in which the Group act as a protection seller		Credit derivatives (CDS) and other contracts in which the Group act as a protection buyer	
	Notional value	Fair value	Notional value	Fair value
Spain	68	14	97	(9)
Italy	518	(22)	444	19
Germany	216	(1)	219	-
France	196	(1)	134	(1)
Portugal	91	(6)	89	6
Poland	-	-	-	-
Belgium	281	(4)	232	5
United Kingdom	56	1	64	(1)
Greece	18	-	18	-
Hungary	2	-	-	-
Ireland	82	-	82	-
Rest of European Union	149	2	155	(2)
Total exposure to Sovereign Counterparties	**1,677**	**(17)**	**1,534**	**17**

The main counterparties of these CDS are credit institutions with a high credit quality. The CDS contracts are standard in the market, with the usual clauses covering the events that would trigger payouts.

As it can be seen in the above tables, exposure to sovereign risk in Europe is concentrated in Spain. As of December 31, 2014, 2013 and 2012, the breakdown of total exposure faced by the Group's credit institutions to Spain and other countries, by maturity of the financial instruments, is as follows:

Maturities of Sovereign Risks European Union	Millions of Euros 2014 Debt securities				Derivatives				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held-to-Maturity Investments	Loans and Receivables	Direct Exposure	Indirect Exposure	Total	Contingent risks and commitments	%
Spain	6,332	28,856	-	25,997	431	-	61,616	1,647	83%
Up to 1 Year	1,562	1,233	-	9,675	23	-	12,493	997	16.8%
1 to 5 Years	1,729	11,424	-	6,312	5	-	19,469	270	26.2%
Over 5 Years	3,041	16,200	-	10,010	403	-	29,653	380	40.0%
Rest of Europe	5,030	7,170	-	483	(97)	4	12,589	12	17.0%
Up to 1 Year	1,581	328	-	329	(14)	-	2,224	12	3.0%
1 to 5 Years	1,441	4,349	-	23	(19)	3	5,796	-	7.8%
Over 5 Years	2,008	2,493	-	131	(64)	1	4,569	-	6.2%
Total Exposure to European Union Sovereign Counterparties	**11,361**	**36,026**	**-**	**26,480**	**334**	**4**	**74,205**	**1,659**	**100.0%**

Maturities of Sovereign Risks European Union	Millions of Euros 2013 Debt securities				Derivatives				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held-to-Maturity Investments	Loans and Receivables	Direct Exposure	Indirect Exposure	Total	Contingent risks and commitments	%
Spain									
Up to 1 Year	1,935	846	-	5,627	8	-	8,416	898	13.7%
1 to 5 Years	1,531	15,523	-	5,574	41	-	22,670	540	36.8%
Over 5 Years	1,784	7,969	-	12,229	209	(25)	22,166	486	36.0%
Rest of Europe									
Up to 1 Year	3,189	26	-	311	(13)	-	3,513	18	5.7%
1 to 5 Years	844	2,066	-	8	-	4	2,922	-	4.7%
Over 5 Years	789	976	-	111	-	1	1,877	-	3.0%
Total Exposure to European Union Sovereign Counterparties	**10,073**	**27,407**	**-**	**23,860**	**245**	**(20)**	**61,565**	**1,942**	**100.0%**

Maturities of Sovereign Risks European Union	Debt securities: Financial Assets Held-for-Trading	Debt securities: Available-for-Sale Financial Assets	Debt securities: Held-to-Maturity Investments	Loans and Receivables	Derivatives: Direct Exposure	Derivatives: Indirect Exposure	Total	Contingent risks and commitments	%
	Millions of Euros 2012								
Spain									
Up to 1 Year	2,183	1,944	2	10,267	35	-	14,431	1,090	21.5%
1 to 5 Years	1,832	12,304	1,239	4,409	26	-	19,810	402	29.6%
Over 5 Years	1,007	5,503	5,228	11,948	224	5	23,915	103	35.7%
Rest of Europe									
Up to 1 Year	2,564	46	33	367	7	-	3,017	18	4.5%
1 to 5 Years	952	188	1,927	34	(19)	(5)	3,077	-	4.6%
Over 5 Years	924	953	781	131	(11)	-	2,778	-	4.1%
Total Exposure to European Union Sovereign Counterparties	**9,462**	**20,938**	**9,210**	**27,156**	**262**	**-**	**67,028**	**1,613**	**100.0%**

Valuation and impairment methods

The valuation methods used to assess the instruments that are subject to sovereign risks are the same ones used for other instruments included in the relevant portfolios and are detailed in Note 8 to these consolidated financial statements. They take into account the exceptional circumstances that have taken place over the last two years in connection with the sovereign debt crisis in Europe.

Specifically, the fair value of sovereign debt securities of European countries has been considered equivalent to their listed price in active markets (Level 1 as defined in Note 8).

Risks related to the developer and Real-Estate sector in Spain

One of the main Group activities of the Group in Spain is focused on developer and mortgage loans. The policies and strategies established by the Group to deal with risks related to the developer and real-estate sector are explained below:

Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problem risks and legal, etc. It also includes the research department (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio. Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The policies established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio.

Specific policies for analysis and admission of new developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been one of the constant points that have helped ensure the success and transformation of construction land operations for customers' developments.

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 in the developer sector: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth; non active participation in the second-home market; commitment to public housing financing; and participation in land operations with a high level of urban development security, giving priority to land open to urban development.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. The tools used include the so-called "watch-list", which is updated monthly with the progress of each client under watch, and the different strategic plans for management of special groups. There are plans that involve an intensification of the review of the portfolio for financing land, while, in the case of ongoing promotions, they are classified based on the rate of progress of the projects.

These actions have enabled BBVA to identify possible impairment situations, by always keeping an eye on BBVA's position with each customer (whether or not as first creditor). In this regard, key aspects include management of the risk policy to be followed with each customer, contract review, deadline extension, improved collateral, rate review (repricing) and asset purchase.

Proper management of the relationship with each customer requires knowledge of various aspects such as the identification of the source of payment difficulties, an analysis of the company's future viability, the updating of the information on the debtor and the guarantors (their current situation and business course, economic-financial information, debt analysis and generation of funds), and the updating of the appraisal of the assets offered as collateral.

BBVA has a classification of debtors in accordance with legislation in force in each country, usually categorizing each one's level of difficulty for each risk.

Based on the information above, a decision is made whether to use the refinancing tool, whose objective is to adjust the structure of the maturity of the debt to the generation of funds and the customer's payment capacity.

As for the policies relating to risk refinancing with the developer and real-estate sector, they are the same as the general policies used for all of the Group's risks (see Note7.3.9). In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, with demanding terms for additional guarantees and legal compliance, given a refinancing tool that standardizes criteria and variables when considering any refinancing operation.

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 customers' sales directly, using BBVA's own channel (BBVA Services and our branches), creating incentives for sale and including sale orders for BBVA. In exceptional case we have even accepted partial haircuts, with the aim of making the sale easier.

In the case of ongoing construction work, the 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, the fact that the vast majority of the risk is urban land simplifies the management. Urban management and liquidity control to tackle urban planning costs are also subject to special monitoring.

Quantitative information on activities in the real-estate market in Spain

The following quantitative information on real-estate activities in Spain has been prepared using the reporting models required by Bank of Spain Circular 5/2011, of November 30.

As of December 31, 2014, 2013 and 2012, exposure to the construction sector and real-estate activities in Spain stood at €19,077, €22,760 and €23,656 million, respectively. Of that amount, risk from loans to construction and real-estate development activities accounted for €10,986, €13,505 and €15,358 million, respectively, representing 7.6%, 8.8% and 8.7% of loans and advances to customers of the balance of business in Spain (excluding the government and other government agencies) and 1.7%, 2.3% and 2.4% of the total assets of the Consolidated Group.

Lending for real estate development of the loans as of December 31, 2014, 2013 and 2012 is shown below:

	Millions of Euros		
December 2014 Financing allocated to construction and real estate development and its coverage	**Gross amount**	**Drawn over the guarantee value**	**Provision coverage**
Loans recorded by the Group's credit institutions (Business in Spain)	**10,986**	**4,832**	**4,572**
Of which: Impaired assets	7,418	3,686	4,225
Of which: Potential problem assets	981	374	347
Memorandum item:			
Write-offs	1,075		

	Millions of Euros		
December 2013 Financing Allocated to Construction and Real Estate Development and its Coverage	**Gross Amount**	**Drawn Over the Guarantee Value**	**Specific coverage**
Loans recorded by the Group's credit institutions (Business in Spain)	**13,505**	**5,723**	**5,237**
Of which: Impaired assets	8,838	4,152	4,735
Of which: Potential problem assets	1,445	501	502
Memorandum item:			
Write-offs	692		

	Millions of Euros		
December 2012 Financing allocated to construction and real estate development and its coverage	**Gross Amount**	**Drawn Over the Guarantee Value**	**Specific Provision**
Loans recorded by the Group's credit institutions (Business in Spain)	**15,358**	**6,164**	**5,642**
Of which: Impaired assets	6,814	3,193	3,123
Of which: Potential problem assets	2,092	911	731
Memorandum item:			
Write-offs	347		

	Millions of Euros		
Memorandum item: Consolidated Group Data (carrying amount)	**December 2014**	**December 2013**	**December 2012**
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	144,528	152,836	176,123
Total consolidated assets (total business)	631,942	582,697	621,132
Impairment losses determined collectively (total business)	2,767	2,698	3,279

The following is a description of the real estate credit risk based on the types of associated guarantees:

Credit: Gross amount (Business in Spain)	December 2014	December 2013	December 2012
	Millions of Euros		
Without secured loan	**1,007**	**1,303**	**1,441**
With secured loan	**9,979**	**12,202**	**13,917**
Terminated buildings	5,776	7,270	8,167
Homes	4,976	6,468	7,148
Other	800	802	1,019
Buildings under construction	883	1,238	1,716
Homes	861	1,202	1,663
Other	22	36	53
Land	3,320	3,694	4,034
Urbanized land	1,881	2,120	2,449
Rest of land	1,439	1,574	1,585
Total	**10,986**	**13,505**	**15,358**

As of December 31, 2014, 2013 and 2012, 61%, 63% and 64.3% of loans to developers were guaranteed with buildings (87,6%%, 90.1% and 89.1% are homes), and only 30.2%, 27.4% and 26.3% by land, of which 56.7%, 57.4% and 60.7% is urbanized, respectively.

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2014, 2013 and 2012, is as follows:

Housing-acquisition Loans to Households (Business in Spain)	December 2014	December 2013	December 2012
	Millions of Euros		
With secured loan (gross amount)	78,913	82,680	87,224
of which: Impaired loans	4,401	5,088	3,163
Total	**78,913**	**82,680**	**87,224**

The loan to value (LTV) ratio of the above portfolio is as follows:

December 2014 LTV Breakdown of secured loans to households for the purchase of a home (Business in Spain)	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
	Millions of Euros - Total risk over the amount of the last valuation available (*Loan To Value*-LTV)					
Gross amount	14,593	22,424	29,060	7,548	5,288	78,913
of which: Impaired loans	199	276	533	843	2,550	4,401

December 2013 LTV Breakdown of Secured Loans to Households for the Purchase of a Home (Business in Spain)	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
	Millions of Euros - Total risk over the amount of the last valuation available (*Loan To Value*-LTV)					
Gross amount	14,481	22,558	31,767	8,975	4,899	82,680
of which: Impaired loans	262	339	618	1,011	2,858	5,088

December 2012 LTV Breakdown of secured loans 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	14,942	22,967	35,722	11,704	1,889	87,224
of which: Impaired loans	312	386	1,089	1,005	371	3,163

Outstanding home mortgage loans as of December 31, 2014, 2013 and 2012 had an average LTV of 47%, 50% and 51% respectively.

As of December 31, 2014, the Group also had a balance of €897 million in non-mortgage loans for the purchase of housing (of which €28 million, respectively, were NPA).

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 2014 Gross Value	Provisions	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**8,629**	**4,901**	**3,728**
Terminated buildings	2,751	1,248	1,503
Homes	1,705	780	925
Other	1,046	468	578
Buildings under construction	830	448	382
Homes	806	433	373
Other	24	15	9
Land	5,048	3,205	1,843
Urbanized land	3,357	2,142	1,215
Rest of land	1,691	1,063	628
Real estate assets from mortgage financing for households for the purchase of a home	**3,250**	**1,452**	**1,798**
Rest of foreclosed real estate assets	**1,137**	**532**	**605**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**737**	**492**	**245**
Total	**13,753**	**7,377**	**6,376**

Information about Assets Received in Payment of Debts (Business in Spain)	Millions of Euros December 2013 Gross Value	Provisions	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**9,173**	**5,088**	**4,085**
Finished buildings	3,038	1,379	1,659
Homes	2,059	925	1,134
Other	979	454	525
Buildings under construction	845	439	406
Homes	819	423	396
Other	26	16	10
Land	5,290	3,270	2,020
Urbanized land	3,517	2,198	1,319
Rest of land	1,773	1,072	701
Real estate assets from mortgage financing for households for the purchase of a home	**2,874**	**1,164**	**1,710**
Rest of foreclosed real estate assets	**918**	**411**	**507**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**730**	**408**	**322**
Total	**13,695**	**7,071**	**6,624**

Information about assets received in payment of debts (Business in Spain)	Millions of Euros December 2012 Gross Value	Provisions	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**8,894**	**4,893**	**4,001**
Terminated buildings	3,021	1,273	1,748
Homes	2,146	877	1,269
Other	875	396	479
Buildings under construction	908	528	380
Homes	881	512	369
Other	27	16	11
Land	4,965	3,092	1,873
Urbanized land	3,247	2,048	1,199
Rest of land	1,718	1,044	674
Real estate assets from mortgage financing for households for the purchase of a home	**2,512**	**1,020**	**1,492**
Rest of foreclosed real estate assets	**653**	**273**	**380**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**702**	**383**	**319**
Total	**12,761**	**6,569**	**6,192**

As of December 31, 2014, 2013 and 2012, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €8,629, €9,173 and €8,894 million, respectively, with an average coverage ratio of 56.8%, 55.4% and 55% respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2014, 2013 and 2012, amounted to €3,250, €2,874 and €2,512 million, respectively, with an average coverage ratio of 44.7%, 40.5% and 40.6% respectively.

As of December 31, 2014, 2013 and 2012, 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 €13,016, €12,965 and €12,059 million, respectively. The coverage ratio was 52.9%, 51.4% and 51.3% respectively.

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

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

Scoring

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

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

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

Rating

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

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

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

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

The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 2014:

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

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, 2014, 2013 and 2012:

Credit Risk Distribution by Internal Rating	December 2014		December 2013	
	Amount (Millions of Euros)	%	Amount (Millions of Euros)	%
AAA/AA+/AA/AA-	30,306	11.49%	23,541	10.34%
A+/A/A-	70,850	26.86%	65,834	28.92%
BBB+	37,515	14.22%	24,875	10.93%
BBB	24,213	9.18%	23,953	10.52%
BBB-	33,129	12.56%	29,692	13.04%
BB+	22,595	8.57%	19,695	8.65%
BB	11,136	4.22%	10,273	4.51%
BB-	6,364	2.41%	6,198	2.72%
B+	7,475	2.83%	6,792	2.98%
B	4,966	1.88%	6,111	2.68%
B-	3,876	1.47%	4,804	2.11%
CCC/CC	11,362	4.31%	5,875	2.58%
Total	**263,786**	**100.00%**	**227,643**	**100.00%**

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.

7.3.6 Financial assets past due but not impaired

The table below provides details of financial assets past due as of December 31, 2014, 2013 and 2012, but not considered to be impaired, listed by their first past-due date:

	Millions of Euros		
Financial Assets Past Due but Not Impaired December 2014	**Less than 1 Month Past-Due**	**1 to 2 Months Past-Due**	**2 to 3 Months Past-Due**
Loans and advances to credit institutions	-	-	-
Loans and advances to customers	460	176	87
Government	28	1	3
Other sectors	432	175	84
Debt securities	-	-	-
Total	**460**	**176**	**87**

	Millions of Euros		
Financial Assets Past Due but Not Impaired 2013	**Less than 1 Month Past-Due**	**1 to 2 Months Past-Due**	**2 to 3 Months Past-Due**
Loans and advances to credit institutions	-	-	-
Loans and advances to customers	659	46	161
Government	56	3	6
Other sectors	603	43	155
Debt securities			
Total	**659**	**46**	**161**

	Millions of Euros		
Financial Assets Past Due but Not Impaired 2012	Less than 1 Month Past-Due	1 to 2 Months Past-Due	2 to 3 Months Past-Due
Loans and advances to credit institutions	21	-	-
Loans and advances to customers	1,067	620	310
Government	90	213	6
Other sectors	977	407	304
Debt securities	-	-	-
Total	**1,088**	**620**	**310**

7.3.7 Impaired assets and impairment losses

The table below shows the composition of the impaired financial assets and risks as of December 31, 2014, 2013 and 2012, broken down by heading in the accompanying consolidated balance sheet:

	Millions of Euros		
Impaired Risks. Breakdown by Type of Asset and by Sector	**2014**	**2013**	**2012**
Asset Instruments Impaired			
Available-for-sale financial assets	91	90	96
Debt securities	91	90	96
Loans and receivables	22,730	25,478	20,001
Loans and advances to credit institutions	23	29	26
Loans and advances to customers	22,703	25,445	19,960
Debt securities	4	4	15
Total Asset Instruments Impaired (1)	**22,821**	**25,568**	**20,097**
Contingent Risks Impaired			
Contingent Risks Impaired (2)	413	410	312
Total impaired risks (1) + (2)	**23,234**	**25,978**	**20,409**
Of which:			
Government	180	170	165
Credit institutions	44	48	71
Other sectors	22,597	25,350	19,861
Mortgage	15,996	18,327	13,761
With partial secured loans	66	49	48
Rest	6,535	6,974	6,052
Contingent Risks Impaired	413	410	312
Total impaired risks (1) + (2)	**23,234**	**25,978**	**20,409**

All doubtful or impaired risks fall into this category individually, either by default or nonperforming criteria, or for reasons other than its default. The BBVA group classification as impaired financial assets is as follows:

- The classification of financial assets impaired due to customer default is objective and individualized to the following criteria:
  - The total amount of financial assets, whoever the holder and collateral, which have principal, interest or fees amounts past due for more than 90 days as contractually agreed following objective criteria through aging calculation systems, unless already charged off.
  - Contingent risks where the third party collateral individual becomes impaired.
- The classification of financial assets impaired by reasons other than customer default is performed individually for all risks whose individual amount is material where there is reasonable doubt about their full repayment on contractually agreed terms as they show objective evidence of impairment adversely affected by the expected cash flows of the financial instrument. Objective evidence of impairment of an asset or group of financial assets includes observable data about the following:

- Debtor's material financial difficulties.
- Continuous delay in interest of principal payments.
- Refinancing of credit conditions by the counterparty.
- Probable bankruptcy or other reorganization / liquidation.
- Lack of an active market for a financial asset because of financial difficulties.
- Observable data indicating a reduction in future cash flows from the initial recognition such as: a. Adverse changes in the payment status of the counterparty (delays in payments, provisions for credit cards to the limit, etc.).
- National or local economic conditions that are correlated with "defaults" (unemployment, falling property prices, etc.).

The breakdown of impaired loans for default or reasons other than delinquency as of December 31, 2014 and 2013:

	Millions of Euros	
December 2014	**Impaired**	**Allowance for impaired porfolio**
Balance of impaired loans - Past due	14,288	7,786
Balance of impaired loans - Other than past due	8,533	2,727
TOTAL	22,821	10,513
Of which:		
No risk	252	191
Mortgage loans	15,996	6,301
Secured loans, except mortgage	66	30
Other	6,507	3,991

	Millions of Euros	
December 2013	**Impaired**	**Allowance for impaired porfolio**
Balance of impaired loans - Past due	16,558	8,503
Balance of impaired loans - Other than past due	9,010	2,760
TOTAL	25,568	11,263
Of which:		
No risk	235	122
Mortgage loans	18,327	6,688
Secured loans, except mortgage	49	20
Other	6,957	4,433

Provisions related to impaired mortgage loans represent the difference between the fair value of the collateral and the carrying value.

Below are the details of the impaired financial assets as of December 31, 2014, 2013 and 2012, classified by geographical area and by the time since their oldest past-due amount or the period since they were deemed impaired:

Millions of Euros

Impaired Assets by Geographic Area and Time Since Oldest Past-Due Amount December 2014	Less than 6 Months Past-Due	6 to 9 Months Past-Due	9 to 12 Months Past-Due	More than 12 Months Past-Due	Total
Spain	8,650	622	747	9,146	19,165
Rest of Europe	432	29	44	49	554
Mexico	727	112	106	433	1,378
South America	856	125	61	166	1,208
The United States	440	18	8	50	516
Rest of the world	-	-	-	-	-
Total	**11,105**	**906**	**966**	**9,844**	**22,821**

Millions of Euros

Impaired Assets by Geographic Area and Time Since Oldest Past-Due Amount 2013	Less than 6 Months Past-Due	6 to 9 Months Past-Due	9 to 12 Months Past-Due	More than 12 Months Past-Due	Total
Spain	9,930	1,873	1,375	8,599	21,777
Rest of Europe	383	25	38	239	685
Mexico	795	148	114	410	1,467
South America	854	68	58	116	1,096
The United States	481	16	8	38	543
Rest of the world	-	-	-	-	-
Total	**12,443**	**2,130**	**1,593**	**9,402**	**25,568**

Millions of Euros

Impaired Assets by Geographic Area and Time Since Oldest Past-Due Amount 2012	Less than 6 Months Past-Due	6 to 9 Months Past-Due	9 to 12 Months Past-Due	More than 12 Months Past-Due	Total
Spain	6,476	1,703	1,534	6,399	16,112
Rest of Europe	380	47	28	168	623
Mexico	941	112	153	289	1,495
South America	837	115	41	116	1,109
The United States	639	26	13	80	758
Total	**9,273**	**2,003**	**1,770**	**7,052**	**20,097**

Below are the details of the impaired financial assets as of December 31, 2014, 2013 and 2012, classified by type of loan according to its associated guarantee, and by the time since their oldest past-due amount or the period since they were deemed impaired:

Millions of Euros

Impaired Assets by Type of Guarantees and Time Since Oldest Past-Due Amount 2014	Less than 6 Months Past-Due	6 to 9 Months Past-Due	9 to 12 Months Past-Due	More than 12 Months Past-Due	Total
Unsecured loans	4,552	265	242	1,448	6,507
Mortgage	6,235	641	724	8,396	15,996
Residential mortgage	2,659	337	296	2,218	5,510
Commercial mortgage (rural properties in operation and offices, and industrial buildings)	1,245	138	156	1,437	2,976
Rest of residential mortgage	772	86	112	2,102	3,072
Plots and other real estate assets	1,559	80	160	2,639	4,438
Other partially secured loans	66	-	-	-	66
Others	252	-	-	-	252
Total	**11,105**	**906**	**966**	**9,844**	**22,821**

Impaired Assets by Type of Guarantees and Time Since Oldest Past-Due Amount 2013	Millions of Euros Less than 6 Months Past-Due	6 to 9 Months Past-Due	9 to 12 Months Past-Due	More than 12 Months Past-Due	Total
Unsecured loans	4,689	529	375	1,364	6,957
Mortgage	7,470	1,601	1,218	8,038	18,327
Residential mortgage	3,250	406	432	2,390	6,478
Commercial mortgage (rural properties in operation and offices, and industrial buildings)	1,194	248	163	1,352	2,957
Rest of residential mortgage	938	225	323	2,029	3,515
Plots and other real estate assets	2,088	722	300	2,267	5,377
Other partially secured loans	49	-	-	-	49
Others	235				235
Total	**12,443**	**2,130**	**1,593**	**9,402**	**25,568**

Impaired Assets by Type of Guarantees and Time Since Oldest Past-Due Amount 2012	Millions of Euros Less than 6 Months Past-Due	6 to 9 Months Past-Due	9 to 12 Months Past-Due	More than 12 Months Past-Due	Total
Unsecured loans	4,145	539	409	1,195	6,288
Mortgage	5,080	1,464	1,360	5,857	13,761
Residential mortgage	1,570	516	457	1,796	4,339
Commercial mortgage (rural properties in operation and offices, and industrial buildings)	715	251	190	1,111	2,267
Rest of residential mortgage	732	330	318	1,162	2,542
Plots and other real estate assets	2,063	367	395	1,788	4,613
Other partially secured loans	48	-	-	-	48
Others		-	-	-	-
Total	**9,273**	**2,003**	**1,770**	**7,052**	**20,097**

The breakdown of impaired loans by sector as of December 31, 2014, 2013 and 2012 is shown below:

Impaired Loans by Sector	Millions of Euros December 2014 Impaired Loans	December 2014 Loan Loss Reserve	December 2014 Impaired Loans as a % of Loans by Type	December 2013 Impaired Loans	December 2013 Loan Loss Reserve	December 2013 Impaired Loans as a % of Loans by Type	December 2012 Impaired Loans	December 2012 Loan Loss Reserve	December 2012 Impaired Loans as a % of Loans by Type
Domestic:									
Government	172	(34)	0.74%	158	(11)	0.71%	145	(10)	0.57%
Credit institutions	-	-	-	-	-	-	6	-	-
Other sectors:	18,391	(9,796)	11.98%	20,826	(10,268)	12.60%	15,013	(7,120)	8.25%
Agriculture	136	(76)	11.22%	142	(70)	11.18%	123	(44)	8.65%
Industrial	1,500	(853)	11.20%	1,804	(886)	13.10%	914	(387)	5.56%
Real estate and construction	8,942	(5,579)	44.78%	10,387	(6,084)	41.02%	8,032	(4,660)	26.19%
Commercial and other financial	1,371	(726)	7.50%	1,103	(579)	7.10%	989	(350)	5.74%
Loans to individuals	4,982	(1,675)	5.82%	5,745	(1,660)	6.36%	3,733	(1,171)	3.88%
Other	1,459	(887)	9.66%	1,645	(988)	8.67%	1,222	(508)	6.09%
Total Domestic	**18,563**	**(9,830)**	**10.25%**	**20,985**	**(10,279)**	**10.89%**	15,164	(7,130)	**7.20%**
Foreign:									
Government	8	(1)	0.08%	11	(4)	0.11%	20	(1)	0.21%
Credit institutions	27	(22)	0.12%	33	(26)	2.16%	29	(22)	0.13%
Other sectors:	4,131	(1,823)	2.89%	4,449	(2,290)	3.20%	4,787	(2,242)	3.47%
Agriculture	114	(87)	3.25%	170	(137)	4.59%	178	(92)	5.43%
Industrial	310	(51)	2.13%	288	(159)	1.93%	146	(109)	1.02%
Real estate and construction	304	(176)	1.90%	1,734	(715)	11.44%	1,661	(469)	9.98%
Commercial and other financial	224	(123)	0.62%	269	(166)	0.85%	703	(471)	2.05%
Loans to individuals	2,156	(908)	3.80%	1,202	(646)	2.02%	1,937	(961)	3.50%
Other	1,023	(478)	6.29%	785	(467)	5.54%	162	(140)	1.14%
Total Foreign	**4,167**	**(1,846)**	**2.36%**	**4,493**	**(2,320)**	**2.69%**	4,836	(2,265)	**2.85%**
General reserve	-	(2,601)		-	(2,396)		-	(4,764)	
Total impaired loans	**22,730**	**(14,277)**		**25,478**	**(14,995)**		20,001	(14,159)	

In the table above there are included €1,163 million as of December 31, 2014 of losses incurred but not reported under IAS 39 (€1,336 million as of December 31, 2013).

The table below represents the accumulated financial income accrued as of December 31, 2014, 2013 and 2012 with origin in the impaired assets that, as mentioned in Note 2.2.1, are not recognized in the accompanying consolidated income statements as there are doubts as to the possibility of collection:

	Millions of Euros		
	2014	2013	2012
Financial Income from Impaired Assets	**3,091**	**3,360**	**2,405**

The changes in the year ended December 31, 2014, 2013 and 2012 in the impaired financial assets and contingent risks are as follows:

	Millions of Euros		
Changes in Impaired Financial Assets and Contingent Risks	**2014**	**2013**	**2012**
Balance at the beginning	**25,978**	**20,409**	**15,793**
Additions	8,874	17,708	14,318
Decreases	(7,172)	(7,692)	(8,236)
Cash collections and return to performing	(5,962)	(6,078)	(5,937)
Foreclosed assets (1)	(1,210)	(1,614)	(2,299)
Net additions	1,702	10,016	6,081
Amounts written-off	(4,720)	(3,825)	(4,372)
Exchange differences and other (including Unnim)	274	(622)	2,906
Balance at the end	**23,234**	**25,978**	**20,408**

(1) 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. See Notes 15 and 20 to the consolidated financial statement for additional information.

The changes in the year ended December 31, 2014, 2013 and 2012 in financial assets derecognized from the accompanying consolidated balance sheet as their recovery is considered unlikely (hereinafter "write-offs") is shown below:

	Millions of Euros		
Changes in Impaired Financial Assets Written-Off from the Balance Sheet	**2014**	**2013**	**2012**
Balance at the beginning	**20,752**	**19,265**	**15,870**
Increase:	**4,878**	**4,450**	**4,363**
Decrease:	**(2,204)**	**(2,319)**	**(1,753)**
Re-financing or restructuring	(3)	(1)	(9)
Cash recovery	(443)	(362)	(337)
Foreclosed assets	(116)	(96)	(133)
Sales of written-off	(1,231)	(1,000)	(283)
Debt forgiveness	(345)	(685)	(541)
Time-barred debt and other causes	(66)	(175)	(450)
Net exchange differences	**156**	**(645)**	**785**
Balance at the end	**23,583**	**20,752**	**19,265**

As indicated in Note 2.2.1, 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 debt, the debt is condoned, or other reasons.

7.3.8 Impairment losses

Below is a breakdown of the provisions recognized on the accompanying consolidated balance sheets to cover estimated impairment losses as of December 31, 2014, 2013 and 2012 in financial assets and contingent risks, according to the different headings under which they are classified in the accompanying consolidated balance sheet:

Impairment Losses and Provisions for Contingent Risks	Notes	2014	2013	2012
		Millions of Euros		
Available-for-sale portfolio	12	**174**	**198**	**339**
Loans and receivables	13	**14,277**	**14,995**	**14,159**
Loans and advances to customers	13.2	14,244	14,950	14,115
Loans and advances to credit institutions	13.1	29	40	29
Debt securities	13.3	4	5	15
Impairment losses		**14,452**	**15,192**	**14,498**
Provisions to Contingent Risks and Commitments	23	**381**	**346**	**322**
Total		**14,833**	**15,538**	**14,821**
Of which:				
For impaired portfolio		12,034	12,969	9,861
For currently non-impaired portfolio		2,799	2,569	4,959

Below are the changes in the year ended December 31, 2014, 2013 and 2012 in the estimated impairment losses, broken down by the headings in the accompanying consolidated balance sheet:

December 2014	Notes	Available-for-sale portfolio	Held to maturity investment	Loans and receivables	Contingent Risks and Commitments	Total
		Millions of Euros				
Balance at the beginning		**198**	**-**	**14,995**	**346**	**15,539**
Increase in impairment losses charged to income		43	-	11,568	77	11,688
Decrease in impairment losses credited to income		(7)	-	(6,821)	(63)	(6,891)
Impairment losses (net)(*)	45-46	**36**	**-**	**4,747**	**14**	**4,797**
Entities incorporated in the year		-	-	-	-	-
Transfers to written-off loans		(56)	-	(4,464)	(1)	(4,521)
Exchange differences and other		(3)	-	(999)	21	(981)
Balance at the end		**174**	**-**	**14,278**	**381**	**14,833**

(*) Includes impairment losses on financial assets (Note 46) and the provisions for contingent risks (Note 45).

December 2013	Notes	Available-for-sale portfolio	Held to maturity investment	Loans and receivables	Contingent Risks and Commitments	Total
		Millions of Euros				
Balance at the beginning		**339**	**-**	**14,159**	**322**	**14,820**
Increase in impairment losses charged to income		55	-	10,816	85	10,955
Decrease in impairment losses credited to income		(19)	-	(4,878)	(46)	(4,944)
Impairment losses (net)(*)	45-46	**36**	**-**	**5,938**	**38**	**6,011**
Entities incorporated/disposed in the year		-	-	(30)	(1)	(31)
Transfers to written-off loans		(164)	-	(3,673)	-	(3,838)
Exchange differences and other		(12)	-	(1,398)	(13)	(1,424)
Balance at the end		**198**	**-**	**14,995**	**346**	**15,538**

(*) Includes impairment losses on financial assets (Note 46) and the provisions for contingent risks (Note 45).

		Millions of Euros				
December 2012	Notes	Available-for-sale portfolio	Held to maturity investment	Loans and receivables	Contingent Risks and Commitments	Total
Balance at the beginning		**566**	1	**9,138**	**266**	**9,970**
Increase in impairment losses charged to income		71	-	10,419	91	10,581
Decrease in impairment losses credited to income		(30)	-	(2,266)	(36)	(2,331)
Impairment losses (net) (*)	45-46	**41**	-	**8,153**	**55**	**8,250**
Entities incorporated in the year		1	-	2,066	5	2,073
Transfers to written-off loans		(18)	-	(4,107)	-	(4,125)
Exchange differences and other		(251)	-	(1,092)	(4)	(1,348)
Balance at the end		339	1	**14,159**	**322**	**14,821**

(*) Includes impairment losses on financial assets (Note 46) and the provisions for contingent risks (Note 45).

7.3.9 Refinancing and restructuring operations

Group policies and principles with respect to refinancing or restructuring operations

Refinancing/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 refinanced/restructured 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 or restructuring with for other purposes, such as for delaying loss recognition<a, is contrary to BBVA Group policies.

The BBVA Group's refinancing/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 submitted.
- This analysis is carried out from the overall customer or group perspective, and not only from the perspective of a specific operation.
- 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 adopted are reviewed from time to time with the aim of checking 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/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/restructuring of operations is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing or restructuring operations are excluded from marketing campaigns of any kind.

In the case of wholesale customers (basically businesses and corporations), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecast future income, margins and cash flows over a sufficiently long period (around five years) to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or business 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 plan.

In accordance with the Group's policy, the conclusion of a loan refinancing/restructuring operation does not imply the loan is reclassified from "impaired" or "potential problem" to outstanding risk; such a reclassification must be based on the analysis mentioned earlier of the viability and effectiveness of the new guarantees submitted.

The Group maintains the policy of including risks related to refinanced/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;.
- "Potential problem assets", because there is some material doubt as to possible non-compliance with the refinanced loan; or.
- "Normal-risk assets" (although as mentioned in the table in the following section, they continue to be classified as "normal-risk assets with special monitoring" until the conditions established for their consideration as outstanding risk are met).

The conditions established for "normal-risk assets with special monitoring" to be reclassified out of this special monitoring category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan;
- At least two years must have elapsed since the renegotiation or restructuring of the loan;
- The customer must have paid at least 20% of the outstanding principal amount of the loan as well as all the past-due amounts (principal and interest) that were outstanding as of the date of the renegotiation or restructuring of the loan; and
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The BBVA Group's refinancing/restructuring policy provides for the possibility of multiple modifications, which shall be approved on an individual basis based on the risk profile of the relevant customer and its degree of compliance with the prior payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring or renegotiation of a loan, as well as re-defaults on a loan, by assigning a lower internal rating to restructured/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)."

Quantitative information on refinancing and restructuring operations:

The breakdown of refinancing and restructuring operations as of December 31, 2014 is as follows:

BBVA GROUP DECEMBER 2014
BALANCE OF FORBEARANCE
(Millions of Euros)

	NORMAL						
	Real estate mortgage secured		Rest of secured loans (a)		Unsecured loans		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1 Government agencies	-	-	28	893	22	25	
2 Other legal entities and individual entrepreneurs	5,576	2,137	1,029	419	17,397	2,458	
Of which: Financing the construction and property development	905	722	61	13	153	23	
3 Other individuals	78,354	3,381	9,913	1,134	81,706	450	
4 Total	**83,930**	**5,518**	**10,970**	**2,445**	**99,125**	**2,934**	

	POTENTIAL PROBLEM LOANS						
	Real estate mortgage secured		Rest of secured loans (a)		Unsecured loans		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1 Government agencies	1	1	-	-	1	1	-
2 Other legal entities and individual entrepreneurs	4,649	1,324	1,171	680	11,831	1,424	660
Of which: Financing the construction and property development	457	*459*	*159*	*211*	*105*	*42*	*262*
3 Other individuals	13,001	1,213	6,662	1,096	22,050	204	145
4 Total	**17,651**	**2,538**	**7,833**	**1,776**	**33,882**	**1,629**	**805**

	IMPAIRED						
	Real estate mortgage secured		Rest of secured loans (a)		Unsecured loans		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1 Government agencies	-	-	1	3	15	3	2
2 Other legal entities and individual entrepreneurs	9,733	4,254	5,387	3,457	16,324	2,519	5,108
Of which: Financing the construction and property development	*2,880*	*2,235*	*2,537*	*2,648*	*1,362*	*579*	*3,188*
3 Other individuals	28,142	1,823	12,081	2,038	71,016	397	1,201
4 Total	**37,875**	**6,076**	**17,469**	**5,497**	**87,355**	**2,919**	**6,310**

	TOTAL						
	Real estate mortgage secured		Rest of secured loans (a)		Unsecured loans		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1 Government agencies	1	1	29	896	38	29	2
2 Other legal entities and individual entrepreneurs	19,958	7,715	7,587	4,555	45,552	6,402	5,768
Of which: Financing the construction and property development	*4,242*	*3,417*	*2,757*	*2,872*	*1,620*	*644*	*3,450*
3 Other individuals	119,497	6,416	28,656	4,268	174,772	1,051	1,345
4 Total	139,456	14,132	36,272	9,719	220,362	7,482	7,115

(a) Includes mortgage-backed real estate operations with loan to values greater than 1, and secured operations, other than transactions secured by real estate mortgage whatever their loan to value.

The breakdown of refinancing and restructuring operations as of December 31, 2013 is as follows:

BBVA GROUP DECEMBER 2013
BALANCE OF FORBEARANCE
(Millions of Euros)

NORMAL	Real estate mortgage secured		Rest of secured loans (a)		Unsecured loans		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1 Government agencies	4	466	13	45	29	811	
2 Other legal entities and individual entrepreneurs	7,289	2,108	1,121	204	22,531	2,380	
Of which: Financing the construction and property development	*1,131*	*635*	*72*	*20*	*306*	*199*	
3 Other individuals	60,366	2,587	5,506	643	87,169	414	
4 Total	**67,659**	**5,161**	**6,640**	**892**	**109,729**	**3,605**	

POTENTIAL PROBLEM LOANS	Real estate mortgage secured		Rest of secured loans (a)		Unsecured loans		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1 Government agencies	1	1	-	-	2	25	1
2 Other legal entities and individual entrepreneurs	3,014	1,381	867	468	8,158	1,497	641
Of which: Financing the construction and property development	*640*	*623*	*131*	*178*	*142*	*123*	*322*
3 Other individuals	31,883	1,987	5,681	837	22,496	231	218
4 Total	**34,898**	**3,369**	**6,548**	**1,304**	**30,656**	**1,753**	**860**

IMPAIRED	Real estate mortgage secured		Rest of secured loans (a)		Unsecured loans		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1 Government agencies	1	1	4	13	13	2	0
2 Other legal entities and individual entrepreneurs	8,446	4,998	4,529	3,066	16,761	2,001	4,821
Of which: Financing the construction and property development	*3,264*	*3,370*	*2,508*	*2,441*	*1,146*	*580*	*3,435*
3 Other individuals	34,248	2,094	13,111	2,314	59,463	347	1,243
4 Total	**42,695**	**7,093**	**17,644**	**5,392**	**76,237**	**2,349**	**6,065**

TOTAL	Real estate mortgage secured		Rest of secured loans (a)		Unsecured loans		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
1 Government agencies	6	468	17	58	44	838	1
2 Other legal entities and individual entrepreneurs	18,749	8,488	6,517	3,737	47,450	5,878	5,463
Of which: Financing the construction and property development	*5,035*	*4,629*	*2,711*	*2,640*	*1,594*	*901*	*3,757*
3 Other individuals	126,497	6,667	24,298	3,793	169,128	991	1,462
4 Total	**145,252**	**15,623**	**30,832**	**7,588**	**216,622**	**7,707**	**6,925**

a) Includes mortgage-backed real estate operations with loan to values greater than 1, and secured operations, other than transactions secured by real estate mortgage whatever their loan to value.

In addition to these restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in paragraph 59 (c) of IAS 39. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve our relationship with the client) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a roll forward of refinanced assets during 2014:

Millions of Euros					
Refinanced assets Roll forward 2014	**Normal**	**Potential problem**	**Impaired**	**TOTAL**	
	Risk	**Risk**	**Risk**	**Risk**	**Coverage**
Beginning balance	**9,658**	**6,427**	**14,834**	**30,919**	**6,925**
Update of estimations	393	(1,844)	1,451	-	76
Period changes	847	1,359	(1,793)	414	114
Ending balance	**10,898**	**5,943**	**14,492**	**31,333**	**7,115**

NPL ratio by type of renegotiated loan

The non performing ratio of the renegotiated portfolio is defined as the impaired balance of renegotiated loans that shows signs of difficulties as of the closing of the reporting period, divided by the total payment outstanding in that portfolio.

As of December 31, 2014, the non performing ratio for each of the portfolios of renegotiated loans is as follows:

2014 NPL ratio renegotiated loan portfolio	
Government agencies	1%
Commercial	55%
Of which: Construction and developer	79%
Other consumer	36%

50% of the renegotiated loans classified as impaired was for reasons other than default (delinquency).

7.4 Market risk

7.4.1 Trading portfolio activities

Market risk originates as a result of movements in the market variables that impact the valuation of traded financial products and assets. The main risks generated can be classified as follows:

- Interest-rate risk: This arises as a result of exposure to movements in the different interest-rate curves involved in trading. Although the typical products that generate sensitivity to the movements in interest rates are money-market products (deposits, interest-rate futures, call money swaps, etc.) and traditional interest-rate derivatives (swaps and interest-rate options such as caps, floors, swaptions, etc.), practically all the financial products are exposed to interest-rate movements due to the effect that such movements have on the valuation of the financial discount.
- Equity risk: This arises as a result of movements in share prices. This risk is generated in spot positions in shares or any derivative products whose underlying asset is a share or an equity index. Dividend risk is a sub-risk of equity risk, arising as an input for any equity option. Its variation may affect the valuation of positions and it is therefore a factor that generates risk on the books.

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

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

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

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

Headings on the balance sheet subject to VaR measurement

Most of the headings on the Group's balance sheet subject to market risk are positions whose main metric for measuring their market risk is VaR. This table shows the accounting lines of the balance sheet in which there is a market risk in trading activity subject to this measurement:

	Millions of Euros	
	Main market risk metrics	
2014 Headings of the balance sheet under market risk RELATION OF RISK METRICS TO BALANCE SHEET OF GROUP'S CONSOLIDATED POSITION	**VaR**	**Others (*)**
Assets subject to market risk		
Financial assets held for trading	74,744	825
Available for sale financial assets	99	62,007
Of which:	-	6,373
Hedging derivatives	404	1,890
Liabilities subject to market risk		
Financial liabilities held for trading	50,457	2,675
Hedging derivatives	1,085	979

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

Although the table shows details of the financial positions subject to market risk, it should be noted that the data are for information purposes only and do not reflect how the risk is managed in trading activity, where it is not classified into assets and liabilities.

With respect to the risk measurement models used in BBVA Group, the Bank of Spain has authorized the use of the internal model to determine bank capital requirements deriving from risk positions on the BBVA S.A. and BBVA Bancomer trading book, which jointly account for around 80% of the Group's trading-book market risk. For the rest of the geographical areas (South America and Compass), bank capital for the risk positions in the trading book is calculated using the standard model.

The current management structure includes the monitoring of market-risk limits, consisting of a scheme of limits based on VaR (Value at Risk), 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 global limits are approved annually by the Executive Committee at the proposal of the market risk unit, following presentation to the GRMC and the Board of Directors' Risk Committee. This limits structure is developed by identifying specific risks by type, trading activity and trading desk. In addition, the market risk unit maintains consistency between the limits. The control structure in place is supplemented by limits on losses and a system of warning signals to anticipate the effects of adverse situations in terms of risk and/or result.

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

VaR figures are estimated following two methodologies:

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

- VaR with smoothing, which gives a greater weight to more recent market information. This metric supplements the previous one.

In the case of South America, a parametric methodology is used to measure risk in terms of VaR.

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

- VaR: In regulatory terms, the charge for VaR Stress is added to the charge for VaR and the sum of both (VaR and VaR Stress) is calculated. This quantifies the loss associated with movements in the risk factors inherent in market operations (interest rate, FX, equity, credit, etc.). Both VaR and Stressed VaR are re-scaled by a regulatory multiplication factor, set at 3 and by the square root of 10, to calculate the capital charge.

- Specific Risk: IRC. Quantification of the risks of default and rating downgrade of the bond and credit derivative positions on the trading book. The specific risk capital IRC is a charge exclusively for those geographical areas with an approved internal model (BBVA S.A. and Bancomer). The capital charge is determined based on the associated losses (at 99.9% over a time horizon of 1 year under the constant risk assumption) resulting from the rating migration and/or default status of the asset's issuer. Also included is the price risk in sovereign positions for the indicated items.

- Specific Risk: Securitizations and Correlation Portfolios. Capital charge for securitizations and for the correlation portfolio to include the potential losses associated with the rating level of a given credit structure (rating). Both are calculated using the standardized approach. The perimeter of the correlation portfolios is referred to FTD-type market operations and/or market CDO tranches, and only for positions with an active market and hedging capacity.

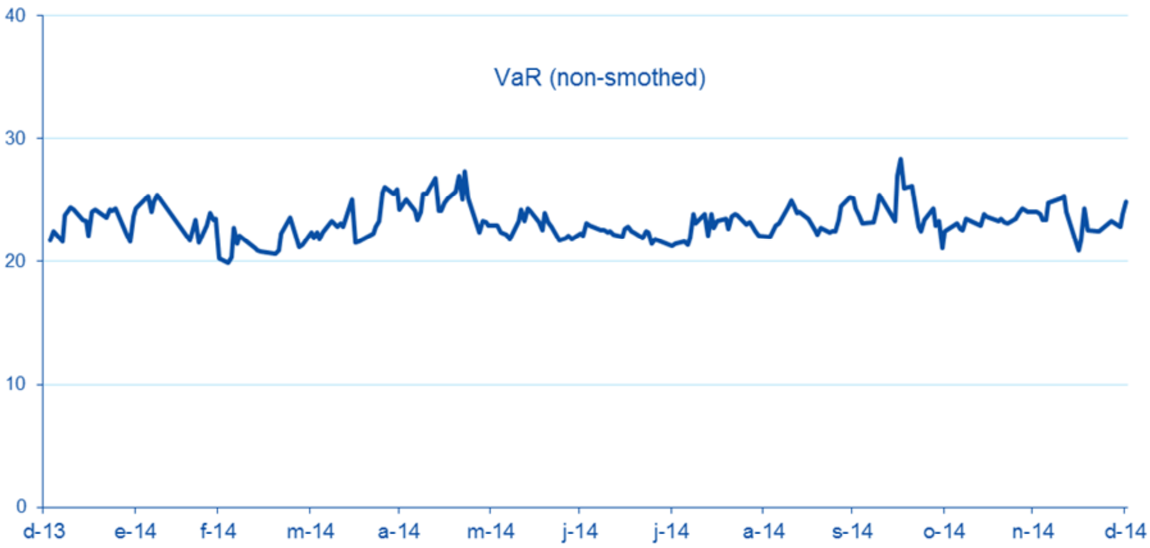
Validity tests are performed regularly on the risk measurement models used by the Group. They estimate the maximum loss that could have been incurred in the positions with a certain level of probability (backtesting), as well as measurements of the impact of extreme market events on risk positions (stress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

Market risk in 2014

The year 2014 has been characterized by a continued improvement first noted in 2013 in Spain, which has been reflected in a narrowing of the spread between Spanish and German debt, and of the main credit spreads. Toward the end of the year, global markets have been affected by the significant slump in oil prices and increased volatility of exchange rates. In this context, the function of risk control in market activities has a special importance.

The Group's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly in the case of credit risk. This is due to the nature of the business and the Group's policy of minimal proprietary trading. In 2013, the market risk of BBVA Group's trading book fell slightly versus the previous year and, in terms of VaR, stood at €25 million at the close of the period.

The average VaR for the first half of 2014 stood at €24.3 million, similar levels to 2013, with a high for the year on day October 16 at €28 million.



By type of market risk assumed by the Group's trading portfolio, the main risk factor in the Group continues to be linked to interest rates, accounting for 67% of the total at the end of 2014 (this figure includes the spread risk). This relative weight was higher than the figure at the close of 2013 (55%). Exchange-rate risk accounts for 12%, an increase on the figure 12 months prior (10%), while equity risk and volatility and correlation risk had a weight of 5% and 16%, respectively at the close of 2014 (vs. 8% and 27% at the close of 2013).

As of December 31, 2014, 2013 and 2012 VaR amounted to €25, €22 million and €30 million, respectively. These figures can be broken down as follows:

	Millions of Euros					
VaR by Risk Factor	Interest/Spread Risk	Currency Risk	Stock-market Risk	Vega/Correlation Risk	Diversification Effect(*)	Total
December 2014						
VaR average in the period						23
VaR max in the period	31	6	4	10	(22)	28
VaR min in the period	24	4	3	11	(23)	20
End of period VaR	30	5	2	7	(20)	25
December 2013						
VaR average in the period						23
VaR max in the period	39	4	2	13	(24)	34
VaR min in the period	19	3	2	11	(18)	17
End of period VaR	22	4	3	11	(18)	22
2012						
VaR average in the period						22
VaR max in the period	35	2	3	11	(21)	31
VaR min in the period	21	3	1	11	(21)	15
End of period VaR	35	3	3	9	(19)	30

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

Validation of the model

The internal market risk model is validated on a regular basis by backtesting in both BBVA S.A. and Bancomer.

The aim of backtesting is to validate the quality and precision of the internal 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 model. These tests showed that the internal market risk model of both BBVA, S.A. and Bancomer is adequate and precise.

Two types of backtesting have been carried out in 2014:

- "Hypothetical" backtesting: the daily VaR is compared with the results obtained, not taking into account the intraday results or the changes in the portfolio positions. This validates the appropriateness of the market risk metrics for the end-of-day position.

- "Real" backtesting: the daily VaR is compared with the total results, including intraday transactions, but discounting the possible minimum charges or fees involved. This type of backtesting includes the intraday risk in portfolios.

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

In 2014, Bancomer carried out backtesting of the internal VaR calculation model, comparing the daily results obtained with the estimated risk level estimated by the VaR calculation model. At the end of the year the comparison showed the model was working correctly, within the "green" zone (0-4 exceptions), thus validating the model, as has occurred each year since the internal market risk model was approved for the Group.

Stress test analysis

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

Historical scenarios

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

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

Simulated scenarios

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

The main features of this approach are: a) The generated simulations respect the correlation structure of the data, b) Flexibility in the inclusion of new risk factors and c) allows to introduce a lot of variability in the simulations (desirable to consider extreme events).

7.4.2 Structural risk

Structural interest-rate risk

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

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

In order to guarantee its effectiveness, the model is subjected to regular internal validation, which includes backtesting. In addition, interest-rate risk measurements are subjected to stress testing in order to reveal balance sheet vulnerabilities under extreme scenarios. This testing includes an analysis of adverse macroeconomic scenarios designed specifically by BBVA Research, together with a wide range of potential scenarios that aim to identify interest-rate environments that are particularly damaging for the Entity. This is done by generating extreme scenarios of a breakthrough in interest rate levels and historical correlations, giving rise to sudden changes in the slopes and even to inverted curves.

The model is necessarily underpinned by an elaborate set of hypotheses that aim to reproduce the behavior of the balance sheet as closely as possible to reality. Especially relevant among these assumptions are those related to the behavior of "accounts with no explicit maturity", for which stability and remuneration assumptions are established, consistent with an adequate segmentation by type of product and customer, and prepayment estimates (implicit optionality). The hypotheses are adapted regularly to signs of changes in behavior, kept properly documented and reviewed on a regular basis in the internal validation processes.

The impacts on the metrics are assessed both from a point of view of economic value (gone concern) and from the perspective of net interest income, for which a dynamic model (going concern) consistent with the corporate assumptions of earnings forecasts is used.

The table below shows the profile of sensitivities to net interest income and value of the main entities in BBVA Group:

Sensitivity to Interest-Rate Analysis - December 2014	Impact on Net Interest Income (*)		Impact on Economic Value (**)	
	100 Basis-Point Increase	100 Basis-Point Decrease	100 Basis-Point Increase	100 Basis-Point Decrease
Europe	7.19%	(5.63)%	2.40%	(2.98)%
Mexico	1.73%	(1.36)%	(3.50)%	2.85%
USA	7.08%	(5.00)%	(1.85)%	(5.79)%
South America	2.00%	(1.85)%	(2.56)%	2.97%
BBVA Group	**3.60%**	**(2.87)%**	**0.69%**	**(2.26)%**

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

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

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

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

Structural exchange-rate risk

In BBVA Group, structural exchange-rate risk arises from the consolidation of holdings in subsidiaries with functional currencies other than the euro. Its management is centralized in order to optimize the joint handling of permanent foreign currency exposures, taking into account the diversification.

The corporate Balance Sheet Management unit, through ALCO, designs and executes hedging strategies with the main purpose of controlling the potential negative effect of exchange-rate fluctuations on capital ratios and on the equivalent value in euros of the foreign-currency earnings of the Group's subsidiaries, considering transactions according to market expectations and their cost.

The risk monitoring metrics included in the system of limits are integrated into management and supplemented with additional assessment indicators. At corporate level they are based on probabilistic metrics that measure the maximum deviation in capital, CET1 ratio, and net attributable profit. The probabilistic metrics make it possible to estimate the joint impact of exposure to different currencies taking into account the different variability in currency rates and their correlations.

The suitability of these risk assessment metrics is reviewed on a regular basis through backtesting exercises. The final element of structural exchange-rate risk control is the analysis of scenarios and stress with the aim of identifying in advance possible threats to future compliance with the tolerance levels set, so that any necessary preventive management actions can be taken. The scenarios are based both on historical situations simulated by the risk model and on the risk scenarios provided by BBVA Research.

In 2014, the most notable aspect in the foreign-exchange markets has been the strength of the United States dollar, which has led to the appreciation against the euro of the currencies in which the Group's exposure is concentrated, in particular the Mexican peso and the Turkish lira. However, this trend has slowed, basically in the last quarter of the year, due to the slump in oil prices, which has affected the currencies of the economies more dependent on this resource, mainly in South America and Mexico. This has led to an upturn in volatility in the foreign-exchange markets. Also worth mentioning is the more unfavorable performance of the Argentinean peso and the Venezuelan bolivar fuerte, affected by the imbalances in both economies. Thus, appropriate management focused on the main exposures has kept the Group's structural exchange-rate risk at moderate levels in 2014. As a result, the risk mitigation level of the book value of BBVA Group's holdings in foreign currency remained on average at 42% and hedging of foreign-currency earnings in 2014 stood at 40%.

Structural equity risk

BBVA Group's exposure to structural equity risk stems basically from investments in industrial and financial companies with medium- and long-term investment horizons. This exposure is mitigated through net short positions held in derivatives of their underlying assets, used to limit portfolio sensitivity to potential falls in prices.

Structural management of equity portfolios is the responsibility of the Group's units specializing in this area. Their activity is subject to the corporate risk management policies for equity positions in the equity portfolio. The aim is to ensure that they are handled consistently with BBVA's business model and appropriately to its risk tolerance level, thus enabling long-term business sustainability.

The Group's risk management systems also make it possible to anticipate possible negative impacts and take appropriate measures to prevent damage being caused to the Entity. The risk control and limitation mechanisms are focused on the exposure, annual operating performance and economic capital estimated for each portfolio. Economic capital is estimated in accordance with a corporate model based on Monte Carlo simulations, taking into account the statistical performance of asset prices and the diversification existing among the different exposures.

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

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

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

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

7.5 Liquidity risk

Management of liquidity and structural finance within the BBVA Group is based on the principle of the financial autonomy of the entities that make it up. This approach helps prevent and limit liquidity risk by reducing the Group's vulnerability in periods of high risk. This decentralized management avoids possible contagion due to a crisis that could affect only one or various BBVA Group entities, which must cover their liquidity needs independently in the markets where they operate. Liquidity Management Units have been set up for this reason in the geographical areas where the main foreign subsidiaries operate, and also for the parent BBVA S.A.

Thus a core principle of the BBVA Group's liquidity management is the financial independence of its banking subsidiaries. This aims to ensure that the cost of liquidity is correctly reflected in price formation. Accordingly, a liquidity pool is maintained at an individual entity level, both in Banco Bilbao Vizcaya Argentaria, S.A. and in the banking subsidiaries, including BBVA Compass, BBVA Bancomer and the Latin American subsidiaries.

The table below shows the liquidity available by instrument as of December 31, 2014 for the most significant entities:

	Millions of Euros			
December 2014	BBVA Eurozone (1)	BBVA Bancomer	BBVA Compass	Others
Cash and balances with central banks	7,967	5,069	1,606	6,337
Assets for credit operations with central banks	44,282	4,273	21,685	7,234
Central governments issues	18,903	1,470	4,105	6,918
Of Which: Spanish government securities	17,607	-	-	-
Other issues	25,379	2,803	1,885	316
Loans	-	-	15,695	-
Other non-eligible liquid assets	6,133	611	285	304
ACCUMULATED AVAILABLE BALANCE	**58,382**	**9,954**	**23,576**	**13,875**
AVERAGE BALANCE	**54,717**	**11,440**	**18,615**	**13,121**

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

The Strategy and Finance Division, through Balance Sheet Management, manages BBVA Group's liquidity and funding. It plans and executes the funding of the long-term structural gap of each Liquidity Management Unit (LMUs) and proposes to ALCO the actions to adopt in this regard in accordance with the policies and limits established by the Standing Committee.

The Bank's target behavior, in terms of liquidity and funding risk is characterized through the Loan to Stable Customer Deposits (LtSCD) ratio. The aim is to preserve a stable funding structure in the medium term for each of the LMUs making up BBVA Group, taking into account that maintaining an adequate volume of stable customer funds is key to achieving a sound liquidity profile.

For the purpose of establishing the (maximum) target levels for LtSCD in each LMU and providing an optimal funding structure reference in terms of risk appetite, GRM-Structural Risks identifies and assesses the economic and financial variables that condition the funding structures in the various geographical areas.

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

The third element promotes the short-term resilience of the liquidity risk profile, making sure that each LMU has sufficient collateral to address the risk of wholesale markets closing. Basic Capacity is the short-term liquidity risk management and control metric that is defined as the relationship between the available explicit assets and the maturities of wholesale liabilities and volatile funds, at different terms, with special relevance being given to 30-day maturities.

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

Stress analyses are also a basic element of the liquidity and funding risk monitoring system, as they help anticipate deviations from the liquidity targets and limits set out in the risk appetite. They also play a key role in the design of the Liquidity Contingency Plan and in defining the specific measures for action for realigning the risk profile. For each of the scenarios, a check is carried out whether the Bank has a sufficient stock of liquid assets to ensure the ability to meet the liquidity commitments/outflows in the different periods analyzed. The analysis considers four scenarios, one core and three crisis-related: systemic crisis; unexpected internal crisis with a considerable rating downgrade and/or affecting the ability to issue in wholesale markets and the perception of business risk by the banking intermediaries and the bank's customers; and a mixed scenario, as a combination of the two aforementioned scenarios. Each scenario considers the following factors: liquidity existing on the market, customer behavior and sources of funding, impact of rating downgrades, market values of liquid assets and collateral, and the interaction between liquidity requirements and the performance of the bank's asset quality. The results of these stress analyses carried out regularly reveal that BBVA has a sufficient buffer of liquid assets to deal with the estimated liquidity outflows in a scenario such as a combination of a systemic crisis and an unexpected internal crisis with a major downgrade in the bank's rating (by up to three notches).

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

The situation in the rest of the LMUs outside Europe has also been very positive, as the liquidity position has once again been reinforced in all the geographical areas in which the Group operates. Special mention should be made of the senior debt issue by BBVA Compass, which after seven years away from the markets has placed US$ 1,000 million at 3 and 5 years.

In this context of improved access to the market, BBVA has maintained its objective of strengthening the funding structure of the different Group entities based on growing their self-funding from stable customer funds, while guaranteeing a sufficient buffer of fully available liquid assets, diversifying the various sources of funding available, and optimizing the generation of collateral available for dealing with stress situations in the markets. The liquidity risk exposure has been kept within the risk appetite and the limits approved by the Board of Directors.

7.6 Encumbered Assets

As of December 31, 2014, the encumbered (given as collateral for certain liabilities) and unencumbered assets ate broken down as follows:

	Millions of Euros	
	Encumbered assets	Unencumbered assets
2014 Assets	Book value	Book value
Assets	**130,585**	**501,357**
Equity instruments	3,602	10,706
Debt Securities	54,454	74,433
Other assets	72,530	416,217

These assets are mainly linked to covered bonds. Such assets relate mainly to loans linked to the issue of mortgage bonds, covered bonds or long term securitized bonds (see Note 21.3); to debt securities that are committed in repurchase agreements; collateral pledged and also loans or debt instruments, in order to access to financing transactions with central banks. The encumbered assets caption also includes any type of collateral pledged to derivative transactions.

As of December 31, 2014 collateral pledge mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

	Millions of Euros	
2014 Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received	**18,496**	**4,899**
Equity instruments	1	78
Debt securities	18,496	3,873
Other collateral received	-	947
Own debt securities issued other than own covered bonds or ABSs	**-**	**534**

As of December 31, 2014, financial liabilities issued were as follows:

2014 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	**136,372**	**149,082**

7.7 Residual maturity

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

Contractual Maturities 2014	Demand	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
				Millions of Euros			
Asset -							
Cash and balances with central banks	26,553	1,779	915	616	1,566	-	**31,430**
Loans and advances to credit institutions	2,308	18,518	756	1,895	1,421	2,076	**26,975**
Loans and advances to customers	20,974	26,691	17,130	46,278	90,541	149,337	**350,950**
Debt securities	44	1,610	3,484	10,275	50,691	62,038	**128,142**
Derivatives (trading and hedging)	592	2,117	2,316	4,229	11,680	25,846	**46,780**
Total	**50,471**	**50,715**	**24,601**	**63,293**	**155,899**	**239,297**	**584,277**
Liabilities -							
Deposits from central banks	102	13,823	6,848	1,926	5,481	-	**28,179**
Deposits from credit institutions	4,851	36,038	5,215	6,797	9,242	2,876	**65,018**
Deposits from customers	165,920	44,136	17,461	51,463	32,669	6,488	**318,136**
Debt certificates (including bonds)	-	2,026	4,797	5,287	30,723	13,285	**56,118**
Subordinated liabilities	-	-	2	77	1,382	12,155	**13,606**
Other financial liabilities	475	5,091	467	207	1,024	24	**7,288**
Short positions	11,747	-	-	-	-	-	**11,747**
Liabilities under insurance contracts	-	20	120	906	2,961	6,452	**10,460**
Derivatives (trading and hedging)	429	2,646	2,551	4,228	12,302	25,228	**47,383**
Total	**183,524**	**103,780**	**37,461**	**70,891**	**95,784**	**66,508**	**557,935**
Contingent Risk							
Financial guarantees	757	1,289	323	2,401	2,165	744	**7,678**

Contractual Maturities 2013	Demand	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 years	Total
				Millions of Euros			
Asset -							
Cash and balances with central banks	30,851	2,200	706	734	396	-	**34,887**
Loans and advances to credit institutions	3,641	11,474	2,637	1,552	2,389	1,098	**22,791**
Loans and advances to customers	27,428	26,551	19,930	43,295	87,828	131,833	**336,865**
Debt securities	146	2,991	1,944	14,793	45,846	40,463	**106,183**
Derivatives (trading and hedging)	-	1,081	1,435	3,589	12,705	21,359	**40,169**
Total	**62,066**	**44,297**	**26,652**	**63,963**	**149,164**	**194,753**	**540,895**
Liabilities -							
Deposits from central banks	82	13,722	1,350	1,015	14,525	-	**30,694**
Deposits from credit institutions	3,314	22,796	8,911	5,570	8,897	2,766	**52,254**
Deposits from customers	140,846	55,418	14,692	44,575	33,080	10,994	**299,605**
Debt certificates (including bonds)	-	4,039	383	9,901	35,581	12,640	**62,544**
Subordinated liabilities	-	38	1	993	1,389	7,847	**10,268**
Other financial liabilities	316	4,253	404	297	367	21	**5,658**
Short positions	7,528	-	-	-	-	-	**7,528**
Derivatives (trading and hedging)	-	904	1,448	3,749	12,778	21,032	**39,912**
Total	**152,086**	**101,170**	**27,189**	**66,100**	**106,617**	**55,300**	**508,463**
Contingent Risk							
Financial guarantees	751	1,455	212	1,561	3,059	432	**7,471**

Contractual Maturities 2012	Millions of Euros Demand	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 years	Total
Asset -							
Cash and balances with central banks	31,488	2,514	605	364	505	-	**35,477**
Loans and advances to credit institutions	3,351	14,459	1,479	1,732	3,367	984	**25,372**
Loans and advances to customers	23,005	33,029	22,157	41,892	92,784	142,352	**355,218**
Debt securities	198	3,243	4,464	11,156	46,217	40,024	**105,301**
Derivatives (trading and hedging)	-	1,318	1,361	3,765	15,655	31,444	**53,544**
Total	**58,041**	**54,563**	**30,066**	**58,910**	**158,529**	**214,804**	**574,912**
Liabilities -							
Deposits from central banks	18	8,095	3,232	-	34,495	350	**46,190**
Deposits from credit institutions	3,839	29,488	2,136	7,137	8,937	3,909	**55,446**
Deposits from customers	136,039	45,859	14,758	50,202	26,578	8,251	**281,687**
Debt certificates (including bonds)	-	6,065	4,115	17,991	38,966	14,787	**81,924**
Subordinated liabilities	-	50	-	724	3,242	7,090	**11,106**
Other financial liabilities	4,263	1,813	383	253	844	34	**7,590**
Short positions	6,580	-	-	-	-	-	**6,580**
Derivatives (trading and hedging)	-	1,085	1,260	3,804	15,314	30,759	**52,222**
Total	**150,739**	**92,455**	**25,884**	**80,111**	**128,377**	**65,179**	**542,744**

7.8 Operational Risk

Operational risk is defined as one that could potentially cause losses due to human errors, inadequate or faulty internal processes, system failures or external events. This definition includes legal risk and excludes strategic and/or business risk and reputational risk.

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

Operational risk management framework

Operational risk management in the Group is based on the value-adding drivers generated by the advanced measurement approach (AMA), as follows:

- Active management of operational risk and its integration into day-to-day decision-making means:
  - Knowledge of the real losses associated with this type of risk.
  - Identification, prioritization and management of real and potential risks.
  - The existence of indicators that enable the Bank to analyze operational risk over time, define warning signals and verify the effectiveness of the controls associated with each risk.

  The above helps create a proactive model for making decisions about control and business, and for prioritizing the efforts to mitigate relevant risks in order to reduce the Group's exposure to extreme events.
- Improved control environment and strengthened corporate culture.
- Generation of a positive reputational impact.

Operational Risk Management Principles

Operational risk management in BBVA Group should:

- Be aligned with the risk appetite statement set out by the Board of Directors of BBVA.
- Anticipate the potential operational risks to which the Group would be exposed as a result of new or modified products, activities, processes, systems or outsourcing decisions, and establish procedures to enable their evaluation and reasonable mitigation prior to their implementation.
- Establish methodologies and procedures to enable a regular reassessment of the relevant operational risks to which the Group is exposed in order to adopt appropriate mitigation measures in each case, once the identified risk and the cost of mitigation (cost/benefit analysis) have been considered, while preserving the Group's solvency at all times.

- Identify the causes of the operational losses sustained by the Group and establish measures to reduce them. Procedures must therefore be in place to enable the capture and analysis of the operational events that cause those losses.
- Analyze the events that have caused operational risk losses in other institutions in the financial sector and promote, where appropriate, the implementation of the measures needed to prevent them from occurring in the Group.
- Identify, analyze and quantify events with a low probability of occurrence and high impact in order to ensure their mitigation. Due to their exceptional nature, it is possible that such events may not be included in the loss database or, if they are, they have impacts that are not representative.
- Have an effective system of governance in place, where the functions and responsibilities of the areas and bodies involved in operational risk management are clearly defined.

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

Irrespective of the adoption of all the possible measures and controls for preventing or reducing both the frequency and severity of operational risk events, BBVA ensures at all times that sufficient capital is available to cover any expected or unexpected losses that may occur.

Three lines of defense

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

8. Fair value

8.1 Fair value of financial instrument

The fair value of financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is therefore a market-based measurement and not specific to each entity.

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

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

The process for determining the fair value established in the entity to ensure that trading portfolio assets are properly valued, BBVA has established, at a geographic level, a structure of New Product Committees responsible for validating and approving new products or types of assets and liabilities before being contracted. The members of these Committees, responsible for valuation, are independent from the business (see Note 7).

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 these assets and liabilities, in accordance with the rules established by the Global Valuation Area and using models that have been validated and approved by the Department of Methodologies that reports to Global Risk Management.

Additionally, for assets and liabilities that show significant uncertainty in inputs or model parameters used for assessment, criteria is established to measure said uncertainty and activity limits are set based on these.

Finally, these measurements are compared, as much as possible, against other sources such as the measurements obtained by the business teams or those obtained by other market participants.

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

- *Level 1*: Measurement using market observable quoted prices for the financial instrument in question, secured from independent sources and referred to active markets - according to the Group policies. This level includes listed debt securities, listed equity instruments, some derivatives and mutual funds.
- *Level 2:* Measurement that applies techniques using inputs drawn from observable market data.
- *Level 3:* Measurement using techniques where some of the material inputs are not taken from market observable data. As of December 31, 2014, the affected instruments accounted for approximately 0.10% of financial assets and 0.02% of the Group's financial liabilities registered at fair value. Model selection and validation is undertaken by control areas outside the market units.

Below is a comparison of the carrying amount of the Group's financial instruments in the accompanying consolidated balance sheets and their respective fair values.

		Millions of Euros					
		2014		2013		2012	
Fair Value and Carrying Amount	**Notes**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
ASSETS-							
Cash and balances with central banks	9	31,430	31,430	34,903	34,903	35,494	35,494
Financial assets held for trading	10	83,258	83,258	72,112	72,112	79,829	79,829
Other financial assets designated at fair value through profit or loss	11	2,761	2,761	2,413	2,413	2,530	2,530
Available-for-sale financial assets	12	94,875	94,875	77,774	77,774	67,500	67,500
Loans and receivables	13	372,375	373,397	350,945	364,120	371,347	391,594
Fair value changes of the hedges items in portfolio hedges of interest	14	121	121	98	98	226	226
Hedging derivatives	14	2,551	2,551	2,530	2,530	4,894	4,894
LIABILITIES-							
Financial assets held for trading	10	56,798	56,798	45,648	45,648	55,834	55,834
Other financial liabilities designated at fair value through profit or loss	11	2,724	2,724	2,467	2,467	2,216	2,216
Financial liabilities at amortized cost	21	491,899	486,904	464,141	466,240	490,807	488,163
Fair value changes of the hedged items in portfolio hedges of interest	14	-		-	-	-	-
Hedging derivatives	14	2,331	2,331	1,792	1,792	2,968	2,968

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

8.1.1 Fair value of financial instrument registered at fair value

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

		Millions of Euros								
		2014			2013			2012		
Fair Value by Levels	**Notes**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
ASSETS-										
Financial assets held for trading	10	39,603	43,459	195	34,394	37,428	290	30,890	48,530	412
Loans and advances to customers		-	128	-	-	107	-	244	-	-
Debt securities		33,150	691	43	28,573	852	176	27,007	718	295
Equity instruments		4,923	17	77	4,596	111	58	2,705	140	70
Trading derivatives		1,530	42,623	76	1,225	36,358	56	934	47,672	47
Other financial assets designated at fair value through profit or loss	11	2,690	71	-	2,352	61	-	2,468	62	-
Loans and advances to credit institutions		-	-	-	-	-	-	-	-	-
Debt securities		666	71	-	603	61	-	691	62	-
Equity instruments		2,024	-	-	1,749	-	-	1,777	-	-
Available-for-sale financial assets	12	76,693	17,236	406	57,960	18,710	591	47,692	18,545	753
Debt securities		70,225	16,987	396	52,729	18,515	566	44,496	18,353	699
Equity instruments		6,468	249	10	5,231	195	25	3,196	192	54
Hedging derivatives	14	59	2,491	-	52	2,478	-	111	4,783	-
LIABILITIES-										
Financial liabilities held for trading	10	13,627	43,135	36	8,459	37,172	17	7,371	48,425	38
Trading derivatives		1,880	43,135	36	931	37,172	17	791	48,425	38
Short positions		11,747	-	-	7,528	-	-	6,580	-	-
Other financial liabilities designated at fair value through profit or loss	11	-	2,724	-	-	2,467	-	-	2,216	-
Hedging derivatives	14	-	2,270	62	-	1,757	35	-	2,951	17

The heading "Available-for-sale financial assets" in the accompanying consolidated balance sheets as of December 31, 2014, 2013 and 2012 additionally includes €540, €516 million and €510 million, respectively, accounted for at cost, as indicated in the section of this Note entitled "Financial instruments at cost".

The following table sets forth the main measurement 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, 2014:

Financial Instruments Level 2	Fair Value (Millons of euros)	Valuation technique(s)	Unobservable inputs
Loans and advances to customers		**Present-value method** (Discounted future cash flow s)	- Prepayment rates - Issuer credit risk - Current market interest rates
Available-for-sale financial assets	128		
Debt securities		**Present-value method** (Discounted future cash flow s)	- Prepayment rates - Issuer credit risk - Current market interest rates
Trading portfolio	691		
Other financial assets at fair value through profit and loss	71	**Active price in inactive market**	- Brokers/dealers quotes - External contributing prices - Market benchmarks
Available-for-sale financial assets	16,987	**Comparable pricing** (Observable price in a similar market)	
Equity Instruments		**Comparable pricing** (Observable price in a similar market)	- Brokers quotes - Market operations - NAVs published
Trading portfolio	17		
Available-for-sale financial assets	249		
Other financial liabilities		**Present-value method** (Discounted future cash flow s)	- Prepayment rates - Issuer credit risk - Current market interest rates
Other financial liabilities designated at fair value through profit or loss	2,724		
Derivatives		• Commodities: **Discounted cash flows and moment adjustment** • Credit products: **Default model and Gaussian copula** • Exchange rate products: **Discounted cash flows, Black, Local Vol and Moment adjustment** • Fixed income products: **Discounted cash flows** • Equity instruments: **Local-Vol, Black, Moment adjustment and Discounted cash flows** • 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** - Interest rate options: **Black, Hull-White y SABR** - Constant Maturity Swaps: **SABR**	- Excahnge rates - Market quoted future prices - Markert interest rates - Underlying assests prices: shares, funds, commmodities - Market observable volatilities - Issuer credit spread levels - Quoted dividens - Markert listed correlations
Trading derivatives			
Trading asset portfolio	42,623		
Trading liability portfolio	43,135		
Hedging derivatives			
Assets	2,491		
Liability	2,270		

Financial Instruments Level 3	Fair Value (Millons of euros)	Valuation technique(s)	Unobservable inputs
Debt securities		**Present-value method** (Discounted future cash flow s)	- Credit spread - Recovery rates - Interest rates - Market benchmark - Default correlation
Trading portfolio	43		
Available-for-sale financial assets	396	**Comparable pricing** (Comparison w ith prices of similar instruments)	- Prices of similar instruments or market benchmark
Equity Instruments		**Net Asset Value**	- NAV provided by the administrator of the fund
Trading portfolio	77		
Available-for-sale financial assets	10	**Comparable pricing** (Comparison w ith prices of similar instruments)	- Prices of similar instruments or market benchmark
Derivatives		Credit Option: **Gaussian Copula**	- Correlación default - Credit spread - Recovery rates - Interest rate yields
Trading derivatives			
Trading asset portfolio	76	Equity OTC Options : **Heston**	- Vollatility of volatility - Interest rate yields - Dividens - Assets correlation
Trading liability portfolio	36		
Hedging derivatives		Interest rate options: **Libor Market Model**	- Beta - Correlation rate/credit - Credit default volatility
Liability	62		

Quantitative information of non-observable inputs used to calculate Level 3 valuations is presented below:

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Max	Average	Units
Debt Securities	Net Present Value	Credit Spread	16.00	1052.00	190.90	b.p.
		Recovery Rate	0.50	40.00	39.55	%
	Comparable princing	Price	0.50	22.50	5.32	%
Equity instruments	Net Asset Value	Net Asset Value	-	-	-	-
	Comparable pricing	Price	-	-	-	-
Credit Option	Gaussian Copula	Correlation Default	35.01	91.52	61.37	%
Equity OTC Option	Heston	Volatility of Volatility	25.00	97.11	66.43	Vegas
Interest Rate Option	Libor Market Model	Beta	0.25	18.00	9.00	%
		Correlation Rate/Credit	(100.00)	100.00	(**)	%
		Credit Default Volatility	0.00	0.00	0.00	Vegas

(*) Range is not provided as it would be too wide to take into account the diverse nature of the different positions.

(**) Depending on the sensitivity of the worst scenario transaction by transaction.

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

- The net present value: This model uses the future cash flows of each instrument, which are established in the different contracts, and discounted to their present value. This model often includes many observable market parameters, but may also include unobservable market parameters directly, as described below.
  - Credit Spread: represents the difference in yield of an instrument and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that instrument. Therefore, the credit spread of an instrument is part of the discount rate used to calculate the present value of future cash flows.
  - Recovery rate: defines how the percentage of principal and interest recovered from a debt instrument that has defaulted.
- Comparable prices: prices of comparable instruments and benchmarks are used to calculate its yield from the entry price or current rating making further adjustments to account for differences that may exist between valued asset and it is taken reference. It can also be assumed that the price of an instrument is equivalent to the other.
- Net asset value: represents the total value of the assets and liabilities of a fund and is published by the fund manager thereof.
- Gaussian copula: dependent on credit instruments of various references, the joint density function to integrate to value is constructed by a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.
- Heston: the model, typically applied to equity 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 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 forwards that compose the process. The correlation matrix is parameterized on the assumption that the correlation between any two forwards decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve.

Adjustments to the valuation for risk of default

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

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

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

The information needed to calculate the exposure at default and the loss given default come from the credit markets (Credit Default Swaps or iTraxx Indexes), save for cases where an internal rating is available. For those cases where the information 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 impact recorded under "Net gains (losses) on financial asset and liabilities" in the consolidated income statement for the year ended December 31, 2014 corresponding to the credit risk assessment of the asset derivative positions as "Credit Valuation Adjustment" (CVA) and liabilities derivative position as "Debit Valuation Adjustment" (DVA), was not material.

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying consolidated balance sheets are as follows:

	Millions of Euros					
	2014		2013		2012	
Financial Assets Level 3 Changes in the Period	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Balance at the beginning	**881**	**52**	**1,165**	**55**	**1,764**	**23**
Valuation adjustments recognized in the income statement (*)	39	46	7	15	51	2
Valuation adjustments not recognized in the income statement	(43)	1	-	-	(3)	-
Acquisitions, disposals and liquidations (**)	(153)	(6)	(374)	(18)	(279)	29
Net transfers to Level 3	5	-	180	-	(134)	-
Exchange differences and others	(130)	5	(95)	(1)	(233)	1
Balance at the end	**601**	**98**	**881**	**52**	**1,165**	**55**

(*) Profit or loss that is attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period. Valuation adjustments are recorded under the heading "Net gains (losses) on financial assets and liabilities (net)".

(**) Of which, in 2014, the assets rollforward is comprised of €29 million of acquisitions, €129 million of disposals and €53 million of liquidations and liabilities of €6 million.

As of December 31, 2014, the profit/loss on sales of financial instruments classified as level 3 recognized in the accompanying income statement was not material.

Transfers between levels

The Global Valuation Area, in collaboration with the Technology and Methodology Area, has established the rules for a proper trading portfolio asset classification according to the fair value hierarchy defined by international accounting standards.

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

The financial instruments transferred between the different levels of measurement in 2014 are at the following amounts in the accompanying consolidated balance sheets as of December 31, 2014:

		Millions of Euros					
	From	Level I		Level 2		Level 3	
Transfer Between Levels	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level2
ASSETS							
Financial assets held for trading		9	-	44	3	-	-
Available-for-sale financial assets		60	2	182		-	-
Total		69	2	226	3	-	-
LIABILITIES-							
Financial assets held for trading		-	-	4	-	-	-
Total		-	-	4	-	-	-

The amount of financial instruments that were transferred between levels of valuation for 2014 is insignificant relative to the total portfolios, basically corresponding to the above revisions of the classification between levels because these assets had modified some of its features. Specifically:

- Transfers of Levels 1 and 2 to Level 3 €5 million: Due to certain debt instruments ceasing to have an observable prices in active markets or that the fundamental parameters used in their assessment had become unobservable in the market, which has led to transfers of Level 1 to Level 3 in an amount of €2 million because certain capital instruments ceased to be observable quotes and prices for being in liquidation, so they have gone from Level 1 to Level 3 in an amount of €3 million.

- Transfers between Levels 1 and 2 for a net €171 million: Mainly due to the reclassification from €226 million of debt instruments that had had any observable trading on the market and have been transferred from Level 2 to Level 1.

Sensitivity Analysis

Sensitivity analysis is performed on products with significant unobservable inputs (products 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, 2013, the effect on the consolidated income and consolidated equity of changing the main hypotheses used for the measurement of Level 3 financial instruments for other reasonably possible models, taking the highest (most favorable hypotheses) or lowest (least favorable hypotheses) value of the range deemed probable, would be as follows:

	Millions of Euros			
	Potential Impact on Consolidated Income Statement		Potential Impact on Total Equity	
Financial Assets Level 3 Sensitivity Analysis	Most Favorable Hypothesis	Least Favorable Hypothesis	Most Favorable Hypothesis	Least Favorable Hypothesis
ASSETS				
Financial assets held for trading	16	(19)		
Available-for-sale financial assets			11	(11)
LIABILITIES-				
Financial liabilities held for trading	1	(1)		
Total	**17**	**(19)**	**11**	**(11)**

8.1.2 Fair value of financial instruments carried at cost

The valuation methods used to calculate the fair value of financial assets and liabilities carried at cost are presented below:

- The fair value of "Cash and balances with central banks" has been assimilated to their book value, as it is mainly short-term balances.

- The fair value of the "Loans and advances to customers" and "financial liabilities at amortized cost" was estimated using the method of discounted expected future cash flows using market interest rates at the end of each year. Additionally, factors such as prepayment rates and correlations of default are taken into account.

The following table presents key financial instruments carried at amortized cost in the accompanying consolidated balance sheets, broken down according to the method of valuation used to estimate their fair value:

		Millions of Euros								
		2014			2013			2012		
Fair Value by Levels	Notes	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS-										
Cash and balances with central banks	9	31,430	-	-	34,903	-	-	35,494	-	-
Loans and receivables	13	-	3,046	370,352		1,351	362,769	-	-	391,594
LIABILITIES-										
Financial liabilities at amortized cost	21	-	-	486,904	-	-	466,240	-	-	488,163

The main valuation methods, hypotheses 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 at December 31, 2014:

Financial Instruments Level 2	Fair Value (Millons of euros)	Valuation technique(s)	Unobservable inputs
Loans and receivables		**Present-value method** (Discounted future cash flow s)	- Credit spread - Interest rates
Debt securities	3,046		

Financial Instruments Level 3	Fair Value (Millons of euros)	Valuation technique(s)	Unobservable inputs
Loans and receivables		**Present-value method** (Discounted future cash flow s)	- Credit spread - Prepayment rates - Market interest rates
Loans and advances to credit institutions	26,404		
Loans and advances to customers	340,299		
Debt securities	3,648		
Financial liabilities at amortized cost		**Present-value method** (Discounted future cash flow s)	- Credit spread - Prepayment rates - Market interest rates
Deposits from central banks	28,195		
Deposits from credit institutions	57,766		
Customer deposits	318,125		
Debt certificates	60,698		
Sobordinated liabilities	15,167		
Other financial liabilities	6,952		

Financial instruments at cost

As of December 31, 2014, 2013 and 2012there were equity instruments and certain discretionary profit-sharing arrangements in some entities which were recognized at cost in the Group's consolidated balance sheets because their fair value could not be reliably determined, as they were not traded in organized markets and, thus, their unobservable inputs are significant. On the above dates, the balances of these financial instruments recognized in the portfolio of available-for-sale financial assets amounted to €540, €516 million and €510 million, respectively.

The table below outlines the financial assets and liabilities carried at cost that were sold in the year ended December 31, 2014, 2013 and 2012:

	Millions of Euros		
Sales of Financial Instruments at Cost	**2014**	**2013**	**2012**
Amount of Sale	71	76	29
Carrying Amount at Sale Date	21	62	5
Gains/Losses	50	13	24

8.2 Assets measured at fair value on a nonrecurring basis

As indicated in Note 2.2.4, non-current assets held for sale are measured at the lower of their fair value less costs to sell and its carrying amount. As of December 31, 2014 virtually all non-current assets held for sale from foreclosures or recoveries match their fair value (see Note 15). These assets are valued as explained below and make up our assets measured at fair value on a nonrecurring basis.

Valuation standards

The overall rating of the portfolio of assets has been carried out using a statistical methodology based on real estate and local macroeconomic variables.

The individualized assessment of properties selected as sample has been carried out according to the "Appraisal and Valuation Standards" published by the Royal Institution of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Standard Valuation Committee (IVSC) complying with the requirements of the International Financial Reporting Standards adopted by the European Union ("EU-IFRS") in connection with estimating the fair value of tangible assets and the value-in-use of financial assets.

The details of each property which has been based each of the assessments are specified in the data sheet valuation of each asset.

Valuation Methodology

Overall valuation of real estate assets portfolio

The overall valuation of the portfolio of real estate assets at December 31, 2014 was performed from the latest appraisal values available. This value was corrected based on the following:

- Analysis of the property sales performed during the year and comparison of the value to sell these properties to the appraisal values obtained most recently. From this analysis derived a conclusion by type of property and location.
- Individual valuation of a material sample of the entire portfolio considering type of properties. The results obtained from these valuations have been compared with the adjusted values of the above analysis, obtaining a second conclusion by type and location.

Individual valuation of real estate assets sample

The basic methods used in the valuation were as follows:

- Comparative Market Method: the property under study is compared with others of similar characteristics which have been recently sold or are for sale on the market, making a comparative analysis, making adjustments due to factors that can cause differences, such as location, size, dimensions, shape, topography, access, urban classification, type of construction, age, storage, distribution, function, or design.

- Dynamic Residual Method: this is considered the most accurate method to conduct an appraisal of the poorly developed or undeveloped land, where there is minimal planning (use and a gross floor area) or a more defined development planning, since in these cases the market is often not very transparent. It starts from the consideration that the development and sale of finished real estate product is conceived from the beginning as a business project, as such it involves a risk, taking place in a time frame in which an initial capital investment occurs generating income and expenses. As such business project, the goal is to maximize profits and therefore the principle of highest and best use.
- Yield Method (DCF): the value of assets is determined by the profits that they could generate in the future (projections) discounted at an appropriate rate of discount. This is an overall assessment, reflecting the economic potential and profitability

To calculate the value, once the market conditions have been analyzed, the following factors are taken into consideration:

- Size, location, and type of property.
- Current condition of the property market, sales price trends and rental competition in the real estate market or industry risk, adjusted based on the statistical information of local real estate and macroeconomic variables.
- The fullest and best use of the asset, which must be legally allowed, physically possible, economically viable, and provide the maximum possible value, supported in economic terms. Analysis of the fullest and best use contemplates its current condition, whether free and available, based on the mentioned appraisals.
- Market Value of the property, considering this as vacant and available for use, analyzing factors such as location, size, physical characteristics, similar transactions and value adjustments proposed by the current economic conditions.

Valuation criteria

Real estate properties have been appraised individually considering a hypothetical stand-alone sale and not as part of a real estate portfolio type of sale.

The portfolio of assets held for sale by type of asset as of December 31, 2014 is provided below by hierarchy of fair value measurements:

	Millions of Euros			
	2014			
Fair Value by Levels	**Level 1**	**Level 2**	**Level 3**	**Total**
Housing	-	2,045	9	2,054
Offices, warehouses and other	-	399	8	407
Land	-	88	150	237
TOTAL	**-**	**2,531**	**167**	**2,698**

Since the amount classified in Level 3 (€167 million) is not significant compared to the total consolidated assets and that the inputs used in the valuation are very diverse depending on the type and geographic location, they have not been disclosed.

9. Cash and balances with central banks

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

		Millions of Euros		
Cash and Balances with Central Banks	**Notes**	**2014**	**2013**	**2012**
Cash		6,247	5,533	5,155
Balances at the Central Banks		24,974	29,234	29,845
Reverse repurchase agreements	34	209	120	476
Accrued interests		-	16	17
Total		**31,430**	**34,903**	**35,494**

During the 2014, the changes in this item are mainly due to the decrease in deposits with ECB and to the depreciation in Venezuela.

		Millions of Euros		
Deposits from Central Banks	**Notes**	**2014**	**2013**	**2012**
Deposits from Central Banks		19,405	25,059	40,576
Repurchase agreements	**34**	8,774	5,636	5,614
Accrued interest until expiration		14	198	285
Total	**21**	**28,193**	**30,893**	**46,475**

During the year ended December 31, 2014, the variation of the heading "Financial liabilities at amortized cost – Deposits at central Banks" is due mainly to a decrease in deposits at the European Central Bank.

10. Financial assets and liabilities held for trading

10.1 Breakdown of the balance

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

	Millions of Euros		
Financial Assets and Liabilities Held-for-Trading	**2014**	**2013**	**2012**
ASSETS-			
Loans and advances to customers	128	106	244
Debt securities	33,883	29,602	28,020
Equity instruments	5,017	4,766	2,915
Trading derivatives	44,229	37,638	48,650
Total	**83,258**	**72,112**	**79,829**
LIABILITIES-			
Trading derivatives	45,052	38,119	49,254
Short positions	11,747	7,529	6,580
Total	**56,798**	**45,648**	**55,834**

10.2 Debt securities

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

	Millions of Euros		
Debt Securities Held-for-Trading Breakdown by type of instrument	**2014**	**2013**	**2012**
Issued by Central Banks	193	291	334
Spanish government bonds	6,332	5,251	4,968
Foreign government bonds	21,688	19,154	18,068
Issued by Spanish financial institutions	879	596	456
Issued by foreign financial institutions	2,169	2,138	2,089
Other debt securities	2,623	2,172	2,106
Total	**33,883**	**29,602**	**28,020**

10.3 Equity instruments

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

	Millions of Euros		
Equity Instruments Held-for-Trading Breakdown by Issuer	**2014**	**2013**	**2012**
Shares of Spanish companies			
Credit institutions	865	497	162
Other sectors	1,677	2,255	1,108
Subtotal	2,541	2,752	1,270
Shares of foreign companies			
Credit institutions	107	80	75
Other sectors	2,368	1,934	1,570
Subtotal	2,476	2,015	1,645
Total	**5,017**	**4,766**	**2,915**

10.4 Trading derivatives

The trading derivatives portfolio arises from the Group's need to manage the risks it is exposed to in the normal course of business and also to market certain products amongst the Group's customers. As of December 31, 2014, 2013 and 2012, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties which are mainly foreign credit institutions, and related to foreign-exchange, interest-rate and equity risk. Below is a breakdown of the net positions by transaction type of the fair value of trading derivatives recognized in the accompanying consolidated balance sheets, divided into organized and OTC markets:

Outstanding Financial Trading Derivatives. Breakdown by Markets and Transaction Types

Millions of Euros

Outstanding Financial Trading Derivatives 2014	Currency Risk	Interest Rate Risk	Equity Price Risk	Precious Metals Risk	Commodities Risk	Credit Risk	Other Risks	Total
Organized markets								
Financial futures	2	-	1	-	-	-	-	3
Options	1	(2)	315	-	(15)	-	1	300
Other products	(3)	(156)	-	-	(6)	-	-	(164)
Subtotal	-	(158)	316	-	(21)	-	1	139
OTC markets								
Credit institutions								
Forward transactions	(118)	(118)	24	-	-	-	-	(212)
Future rate agreements (FRAs)	-	(469)	-	-	-	-	-	(469)
Swaps	96	(663)	(961)	-	1	(44)	-	(1,571)
Options	(5)	(233)	(342)	-	1	-	-	(580)
Other products	(771)	-	-	-	-	-	-	(771)
Subtotal	(798)	(1,483)	(1,279)	-	2	(44)	-	(3,602)
Other financial institutions								
Forward transactions	(6)	(62)	(8)	-	-	-	-	(75)
Future rate agreements (FRAs)	-	(248)	-	-	-	-	-	(248)
Swaps	117	(641)	(166)	-	-	254	-	(436)
Options	(36)	(52)	(460)	-	6	(166)	-	(708)
Other products	403	-	-	-	-	-	-	403
Subtotal	478	(1,003)	(634)	-	6	88	-	(1,064)
Other sectors								
Forward transactions	(13)	171	47	-	-	-	-	204
Future rate agreements (FRAs)	-	682	-	-	-	-	-	682
Swaps	185	2,635	-	-	-	-	-	2,820
Options	(87)	48	157	-	4	-	-	121
Other products	(122)	-	-	-	-	-	-	(122)
Subtotal	(37)	3,536	204	-	4	-	-	3,705
Subtotal	(357)	1,050	(1,709)	-	12	44	-	(961)
Total	**(357)**	**892**	**(1,393)**	**-**	**(9)**	**44**	**1**	**(823)**
Of which:								
Asset Trading Derivatives	**11,409**	**29,504**	**2,752**	**-**	**14**	**548**	**1**	**44,229**
Liability Trading Derivatives	**(11,766)**	**(28,613)**	**(4,145)**	**-**	**(23)**	**(504)**	**(1)**	**(45,052)**

Outstanding Financial Trading Derivatives. Breakdown by Markets and Transaction Types

Millions of Euros

Outstanding Financial Trading Derivatives 2013	Currency Risk	Interest Rate Risk	Equity Price Risk	Precious Metals Risk	Commodities Risk	Credit Risk	Other Risks	Total
Organized markets								
Financial futures	-	-	1	-	-	-	-	1
Options	1	-	72	-	-	-	1	74
Other products	-	-	-	-	-	-	-	-
Subtotal	1	-	73	-	-	-	1	75
OTC markets								
Credit institutions								
Forward transactions	(554)	40	-	-	-	-	-	(514)
Future rate agreements (FRAs)	-	(63)	-	-	-	-	-	(63)
Swaps	83	(1,394)	9	-	5	-	-	(1,297)
Options	179	(100)	(457)	(1)	(2)	-	-	(381)
Other products	-	(10)	-	-	-	(45)	-	(55)
Subtotal	(292)	(1,527)	(448)	(1)	3	(45)	-	(2,310)
Other financial institutions								
Forward transactions	(137)	-	-	-	-	-	1	(136)
Future rate agreements (FRAs)	-	(10)	-	-	-	-	-	(10)
Swaps	-	25	12	-	-	-	-	37
Options	29	(108)	(320)	-	-	-	-	(399)
Other products	-	-	-	-	-	39	-	39
Subtotal	(108)	(93)	(308)	-	-	39	1	(469)
Other sectors								
Forward transactions	176	-	-	-	-	-	-	176
Future rate agreements (FRAs)	-	136	-	-	-	-	-	136
Swaps	48	1,357	28	-	3	-	-	1,436
Options	(24)	(7)	449	(2)	(3)	-	-	413
Other products	3	57	-	-	-	-	-	60
Subtotal	203	1,543	477	(2)	-	-	-	2,221
Subtotal	(197)	(77)	(279)	(3)	3	(6)	1	(556)
Total	**(196)**	**(77)**	**(206)**	**(3)**	**3**	**(6)**	**2**	**(481)**
Of which:								
Asset Trading Derivatives	**6,389**	**27,719**	**3,073**	**1**	**20**	**430**	**6**	**37,638**
Liability Trading Derivatives	**(6,585)**	**(27,797)**	**(3,279)**	**(4)**	**(15)**	**(436)**	**(3)**	**(38,119)**

Millions of Euros

Outstanding Financial Trading Derivatives 2012	Currency Risk	Interest Rate Risk	Equity Price Risk	Precious Metals Risk	Commodities Risk	Credit Risk	Other Risks	Total
Organized markets								
Financial futures	-	-	1	-	-	-	-	1
Options	(4)	-	(111)	1	2	-	-	(112)
Other products	-	-	-	-	-	-	-	-
Subtotal	(4)	-	(110)	1	2	-	-	(111)
OTC markets								
Credit institutions								
Forward transactions	(1,108)	109	-	-	-	-	-	(999)
Future rate agreements (FRAs)	-	(203)	-	-	-	-	-	(203)
Swaps	70	(2,848)	83	-	12	-	-	(2,683)
Options	8	212	109	-	(4)	-	1	326
Other products	-	(3)	-	-	-	(92)	-	(95)
Subtotal	(1,030)	(2,733)	192	-	8	(92)	1	(3,654)
Other financial institutions								
Forward transactions	(22)	-	-	-	-	-	-	(22)
Future rate agreements (FRAs)	-	(28)	-	-	-	-	-	(28)
Swaps	-	842	(21)	-	-	-	-	821
Options	-	(4)	(366)	-	-	-	-	(370)
Other products	-	(5)	-	-	-	108	-	103
Subtotal	(22)	805	(387)	-	-	108	-	504
Other sectors								
Forward transactions	235	1	-	-	-	-	-	236
Future rate agreements (FRAs)	-	302	-	-	-	-	-	302
Swaps	(16)	1,639	153	-	(1)	-	-	1,775
Options	(60)	84	250	(3)	-	-	(4)	267
Other products	(3)	80	-	-	-	-	-	77
Subtotal	156	2,106	403	(3)	(1)	-	(4)	2,657
Subtotal	(896)	178	209	(3)	6	16	(3)	(493)
Total	**(900)**	**178**	**99**	**(3)**	**8**	**16**	**(3)**	**(604)**
Of which:								
Asset Trading Derivatives	**5,722**	**38,974**	**3,314**	**8**	**76**	**531**	**26**	**48,650**
Liability Trading Derivatives	**(6,622)**	**(38,795)**	**(3,215)**	**(10)**	**(68)**	**(515)**	**(29)**	**(49,254)**

11. Other financial assets and liabilities at fair value through profit or loss

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

Other Financial Assets Designated at Fair Value through Profit or Loss. Breakdown by Type of Instruments	Millions of Euros 2014	2013	2012
ASSETS-			
Debt securities	737	663	753
Unit-linked products	157	161	145
Other securities	580	503	608
Equity instruments	2,024	1,750	1,777
Unit-linked products	1,930	1,689	1,726
Other securities	94	60	50
Total	**2,761**	**2,413**	**2,530**
LIABILITIES-			
Other financial liabilities	2,724	2,467	2,216
Unit-linked products	2,724	2,467	2,216
Total	**2,724**	**2,467**	**2,216**

As of December 31, 2014, 2013 and 2012 the most significant balances within other financial assets and liabilities at fair value through profit and loss related to assets and liabilities linked to insurance products where the policyholder bears the risk ("Unit-Link"). This type of product is sold only in Spain, through BBVA Seguros SA, insurance and reinsurance and BBVA Vida S.A., insurance and reinsurance, and in Mexico through Seguros Bancomer S.A. de CV.

Since the liabilities linked to insurance products in which the policyholder assumes the risk are valued the same way as the assets associated to these insurance products, there is no credit risk component borne by the Group in relation to these liabilities.

12. Available-for-sale financial assets and Held-to-maturity investment

12.1 Available-for-sale financial assets - Balance details

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

Available-for-Sale Financial Assets	Millions of Euros 2014	2013	2012
Debt securities	87,679	71,861	63,651
Impairment losses	(70)	(55)	(103)
Subtotal	87,608	71,806	63,548
Equity instruments	7,370	6,111	4,188
Impairment losses	(103)	(143)	(236)
Subtotal	7,267	5,968	3,952
Total	**94,875**	**77,774**	**67,500**

12.2 Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying financial statements, broken down by the nature of the financial instruments, is as follows:

	Millions of Euros			
Debt Securities Available-for-Sale 2014	**Amortized Cost (*)**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Domestic Debt Securities				
Spanish Government and other government agency debt securities	34,445	2,290	(55)	36,680
Other debt securities	5,892	252	(22)	6,122
Issued by Central Banks	-	-	-	-
Issued by credit institutions	3,567	162	(13)	3,716
Issued by other issuedrs	2,325	90	(9)	2,406
Subtotal	40,337	2,542	(77)	42,802
Foreign Debt Securities				
Mexico	12,662	493	(96)	13,060
Mexican Government and other government agency	10,629	459	(76)	11,012
Other debt securities	2,034	34	(20)	2,048
Issued by Central Banks	-	-	-	-
Issued by credit institutions	141	3	(3)	142
Issued by other issuedrs	1,892	31	(17)	1,906
The United States	10,289	102	(83)	10,307
Government securities	4,211	28	(8)	4,231
US Treasury and other US Government agencies	1,539	6	(3)	1,542
States and political subdivisions	2,672	22	(5)	2,689
Other debt securities	6,078	73	(76)	6,076
Issued by Central Banks	-	-	-	-
Issued by credit institutions	24	-	-	24
Issued by other issuedrs	6,054	73	(76)	6,052
Other countries	20,705	1,044	(310)	21,439
Other foreign governments and other government agency debt securities	10,355	715	(104)	10,966
Other debt securities	10,350	329	(206)	10,473
Issued by Central Banks	1,540	10	(9)	1,540
Issued by credit institutions	3,352	175	(55)	3,471
Issued by other issuedrs	5,459	143	(141)	5,461
Subtotal	43,657	1,639	(490)	44,806
Total	**83,994**	**4,181**	**(566)**	**87,608**

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

	Millions of Euros			
Debt Securities Available-for-Sale December 2013	**Amortized Cost (*)**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Domestic Debt Securities				
Spanish Government and other government agency debt securities	30,688	781	(90)	31,379
Other debt securities	8,536	227	(25)	8,738
Issued by Central Banks	-	-	-	-
Issued by credit institutions	5,907	124	(4)	6,027
Issued by other issuers	2,629	103	(21)	2,711
Subtotal	39,224	1,008	(115)	40,116
Foreign Debt Securities				
Mexico	10,433	328	(178)	10,583
Mexican Government and other government agency debt securities	9,028	281	(160)	9,150
Other debt securities	1,404	47	(19)	1,433
Issued by Central Banks	-	-	-	-
Issued by credit institutions	84	11	(2)	93
Issued by other issuers	1,320	36	(16)	1,340
The United States	5,962	58	(82)	5,937
Government securities	1,055	11	(11)	1,056
US Treasury and other US Government agencies	171	3	(4)	170
States and political subdivisions	884	8	(7)	885
Other debt securities	4,907	46	(72)	4,881
Issued by Central Banks	-	-	-	-
Issued by credit institutions	234	2	(2)	233
Issued by other issuers	4,674	44	(70)	4,648
Other countries	14,928	570	(329)	15,170
Other foreign governments and other government agency debt securities	7,128	333	(261)	7,199
Other debt securities	7,801	237	(67)	7,971
Issued by Central Banks	1,209	9	(10)	1,208
Issued by credit institutions	4,042	175	(51)	4,166
Issued by other issuers	2,550	54	(6)	2,597
Subtotal	31,323	956	(589)	31,690
Total	**70,547**	**1,964**	**(704)**	**71,806**

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

	Millions of Euros			
Debt Securities Available-for-Sale 2012	**Amortized Cost (*)**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Domestic Debt Securities				
Spanish Government and other government agency debt securities	25,375	243	(857)	24,761
Other debt securities	9,580	145	(120)	9,605
Issued by Central Banks	-	-	-	-
Issued by credit institutions	7,868	71	(59)	7,880
Issued by other issuedrs	1,712	74	(61)	1,725
Subtotal	34,955	388	(977)	34,366
Foreign Debt Securities				
Mexico	8,230	962	(1)	9,191
Mexican Government and other government agency debt securities	7,233	833	-	8,066
Other debt securities	997	129	(1)	1,125
Issued by Central Banks	-	-	-	-
Issued by credit institutions	333	56	(1)	388
Issued by other issuedrs	664	73	-	737
The United States	6,927	189	(88)	7,028
Government securities	713	21	(10)	724
US Treasury and other US Government agencies	228	1	(1)	228
States and political subdivisions	485	20	(9)	496
Other debt securities	6,214	168	(78)	6,304
Issued by Central Banks	-	-	-	-
Issued by credit institutions	150	11	(7)	154
Issued by other issuedrs	6,064	157	(71)	6,150
Other countries	13,054	469	(560)	12,963
Other foreign governments and other government agency debt securities	5,557	212	(374)	5,395
Other debt securities	7,497	257	(186)	7,568
Issued by Central Banks	1,158	2	(1)	1,159
Issued by credit institutions	4,642	209	(101)	4,750
Issued by other issuedrs	1,697	46	(84)	1,659
Subtotal	28,211	1,620	(649)	29,182
Total	**63,166**	**2,008**	**(1,626)**	**63,548**

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

The credit ratings of the issuers of debt securities in the available-for-sale portfolio as of December 31, 2014, 2013 and 2012 are as follows:

	December 2014		December 2013		December 2012	
Avalaible for Sale financial assets Debt Securities by Rating	**Fair Value (Millions of Euros)**	**%**	**Fair Value (Millions of Euros)**	**%**	**Fair Value (Millions of Euros)**	**%**
AAA	1,459	1.7%	847	1.2%	1,436	2.3%
AA+	7,620	8.7%	4,927	6.9%	5,873	9.2%
AA	329	0.4%	198	0.3%	214	0.3%
AA-	1,059	1.2%	748	1.0%	1,690	2.7%
A+	597	0.7%	554	0.8%	741	1.2%
A	2,223	2.5%	8,463	11.8%	1,125	1.8%
A-	13,606	15.5%	4,588	6.4%	6,521	10.3%
BBB+	9,980	11.4%	7,203	10.0%	890	1.4%
BBB	41,283	47.1%	29,660	41.3%	3,314	5.2%
BBB-	2,568	2.9%	9,152	12.7%	28,466	44.8%
BB+ or below	3,942	4.5%	3,548	4.9%	7,706	12.1%
Without rating	2,942	3.4%	1,918	2.7%	5,572	8.8%
Total	**87,608**	**100.0%**	**71,806**	**100.0%**	**63,548**	**100.0%**

12.3 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying financial statements as of December 31, 2014, 2013 and 2012 is as follows:

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

	Millions of Euros			
Equity Instruments Available-for-Sale December 2013	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Equity instruments listed				
Listed Spanish company shares	3,270	54	(46)	3,277
Credit institutions	3	-	-	3
Other entities	3,267	54	(46)	3,275
Listed foreign company shares	2,030	46	(9)	2,066
United States	16	-	-	16
Mexico	8	37	-	45
Other countries	2,006	9	(9)	2,006
Subtotal	5,300	100	(55)	5,343
Unlisted equity instruments				
Unlisted Spanish company shares	61	-	(1)	60
Credit institutions	3	-	-	3
Other entities	58	-	(1)	57
Unlisted foreign companies shares	554	9	(1)	563
United States	455	-	-	455
Mexico	-	-	-	-
Other countries	99	9	(1)	107
Subtotal	616	9	(2)	623
Total	**5,916**	**109**	**(57)**	**5,968**

	Millions of Euros			
Equity Instruments Available-for-Sale 2012	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Equity instruments listed				
Listed Spanish company shares	3,301	122	(380)	3,043
Credit institutions	2	-	-	2
Other entities	3,299	122	(380)	3,041
Listed foreign company shares	294	9	(44)	259
United States	32	1	(4)	29
Mexico	-	-	-	-
Other countries	262	8	(40)	230
Subtotal	3,595	131	(424)	3,302
Unlisted equity instruments	-			
Unlisted Spanish company shares	77	2	(4)	75
Credit institutions	4	-	-	4
Other entities	73	2	(4)	71
Unlisted foreign companies shares	568	7	-	575
United States	474	-	-	474
Mexico	-	-	-	-
Other countries	94	7	-	101
Subtotal	645	9	(4)	650
Total	**4,240**	**140**	**(428)**	**3,952**

12.4 Gains/losses

The changes in the gains/losses, net of taxes, recognized under the equity heading "Valuation adjustments – Available-for-sale financial assets" in the accompanying consolidated balance sheets are as follows:

	Millions of Euros		
Changes in Valuation Adjustments - Available-for-Sale Financial Assets	**2014**	**2013**	**2012**
Balance at the beginning	**851**	**(238)**	**(628)**
Valuation gains and losses	4,841	1,653	464
Income tax	(1,414)	(489)	(192)
Amounts transferred to income	(462)	(136)	118
Other reclasifications	-	61	-
Balance at the end	**3,816**	**851**	**(238)**
Of which:			
Debt securities	2,965	780	(80)
Equity instruments	851	71	(158)

The losses recognized under the heading "Valuation adjustments – Available-for-sale financial assets" in the consolidated balance sheet for the year 2014 correspond mainly to debt securities from government agencies.

As of December 31, 2014, 44.8% of the unrealized losses recognized under the heading "Valuation adjustments – Available-for-sale financial assets" and originating in debt securities were generated over more than twelve months. However, no impairment has been considered, as following an analysis of these unrealized losses it can be concluded that they were temporary due to the following reasons: the interest payment dates of all the fixed-income securities have been satisfied; and because there is no evidence that the issuer will not continue to meet its payment obligations, nor that future payments of both principal and interest will not be sufficient to recover the cost of the debt securities.

As of December 31, 2014, the Group has analyzed the unrealized losses recognized under the heading "Valuation adjustments – Available-for-sale financial assets" resulting from equity instruments generated over a period of more than 12 months and with a fall of more 20% in their price, as a first approximation to the existence of possible impairment. As of 31 December, 2014, the unrealized losses recognized under the heading "Valuation adjustments – Available-for-sale financial assets" resulting from equity instruments generated over a period of more than 18 months or with a fall of more 40% in their price are not significant.

The losses recognized under the heading "Impairment losses on financial assets (net) – Available-for-sale financial assets" in the accompanying consolidated income statement amounted to €36, €36 and €41 million for the year ended December 31, 2014, 2013 and 2012, respectively (see Note 46).

12.5 Held-to-maturity investment

During 2013 these investment was reclassify to "Available for sale financial assets". Such reclassification was due to a change in management criteria of these portfolios. These balances may not be kept until maturity and are subject to sale. As of December 31, 2014 and 2013, there is no balance of Held to maturity investments.

13. Loans and receivables

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

		Millions of Euros		
Loans and Receivables	**Notes**	**2014**	**2013**	**2012**
Loans and advances to credit institutions	13.1	27,059	22,862	25,448
Loans and advances to customers	13.2	338,657	323,607	342,163
Debt securities	13.3	6,659	4,476	3,736
Total		**372,375**	**350,945**	**371,347**

13.1 Loans and advances to credit institutions

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

		Millions of Euros		
Loans and Advances to Credit Institutions	**Notes**	**2014**	**2013**	**2012**
Reciprocal accounts		126	132	265
Deposits with agreed maturity		3,679	5,901	5,987
Demand deposits		1,592	1,421	1,794
Other accounts		11,138	8,510	10,543
Reverse repurchase agreements	34	10,440	6,828	6,783
Total gross	7.3.1	**26,975**	**22,792**	**25,372**
Valuation adjustments		85	70	76
Impairment losses	7.3.8	(29)	(40)	(29)
Accrued interests and fees		114	110	106
Hedging derivatives and others		-	-	(1)
Total net		**27,059**	**22,862**	**25,448**

13.2 Loans and advances to customers

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

		Millions of Euros		
Loans and Advances to Customers	**Notes**	**2014**	**2013**	**2012**
Mortgage secured loans	7.3.2	124,097	125,564	137,870
Other loans secured with security interest	7.3.2	28,419	23,660	23,125
Unsecured loans		119,002	109,600	115,667
Credit lines		12,851	11,166	13,854
Commercial credit		10,015	9,711	11,165
Receivable on demand and other		7,021	8,210	10,731
Credit cards		11,756	11,070	10,934
Finance leases		7,095	6,954	7,546
Reverse repurchase agreements	34	6,990	4,449	3,118
Financial paper		873	930	1,003
Impaired assets	7.3.7	22,703	25,445	19,960
Total gross	7.3.1	**350,822**	**336,759**	**354,973**
Valuation adjustments		**(12,166)**	**(13,151)**	**(12,810)**
Impairment losses	7.3.8	(14,244)	(14,950)	(14,115)
Accrued interests and fees		863	953	227
Hedging derivatives and others		1,215	846	1,077
Total net		**338,657**	**323,607**	**342,163**

As of December 31, 2014, 27% of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 73% have variable interest rates.

The heading "Loans and advances to customers" includes financial leases that several Group entities sign with customers to assist them in the acquisition of goods, both properties and fixtures. The breakdown of financial lease agreements as of December 31, 2014, 2013 and 2012 was the following:

	Millions of Euros		
Financial Lease Arrangements	**2014**	**2013**	**2012**
Movable property	4.413	4.095	4.273
Real Estate	2.682	2.859	3.273
Fixed rate	73%	69%	64%
Floating rate	27%	31%	36%

The heading "Loans and receivables – Loans and advances to customers" in the accompanying consolidated balance sheets also includes certain secured loans that, as mentioned in Note 7.6 and pursuant to the Mortgage Market Act, are linked to long-term mortgage-covered bonds. This heading also includes some loans that have been securitized. The balances recognized in the accompanying consolidated balance sheets corresponding to these securitized loans are as follows:

	Millions of Euros		
Securitized Loans	**2014**	**2013**	**2012**
Securitized mortgage assets	**25,099**	**22,407**	**20,077**
Other securitized assets	**2,225**	**4,224**	**5,647**
Commercial and industrial loans	735	2,330	3,241
Finance leases	219	301	433
Loans to individuals	1,213	1,518	1,877
Rest	58	75	96
Total	**27,324**	**26,631**	**25,724**
Of which:			
Liabilities associated to assets retained on the balance sheet (*)	5,215	6,348	6,180

(*) These liabilities are recognized under "Financial liabilities at amortized cost - Debt securities" in the accompanying consolidated balance sheets (Note 21.3).

13.3 Debt securities

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

		Millions of Euros		
Debt securities	**Notes**	**2014**	**2013**	**2012**
Government		5,608	3,175	2,375
Credit institutions		81	297	453
Other sectors		975	1,009	923
Total gross	7.3.4	**6,663**	**4,481**	**3,751**
Valuation adjustments	7.3.8	(4)	(5)	(15)
Total net		**6,659**	**4,476**	**3,736**

14. Hedging derivatives (receivable and payable) and Fair-value changes of the hedged items in portfolio hedges of interest-rate risk

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

	Millions of Euros		
Hedging derivatives and Fair value changes of the hedged items in portfolio hedges of interest rate risk	**2014**	**2013**	**2012**
ASSETS-			
Fair value changes of the hedged items in portfolio hedges of interest rate risk	121	98	226
Hedging derivatives	2,551	2,530	4,894
LIABILITIES-			
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-	-
Hedging derivatives	2,331	1,792	2,968

As of December 31, 2014, 2013 and 2012, the main positions hedged by the Group and the derivatives designated to hedge those positions were:

- Fair value hedging:
  - Available-for-sale fixed-interest debt securities: This risk is hedged using interest rate derivatives (fixed-variable swaps).
  - Long-term fixed-interest debt securities issued by the Bank: This risk is hedged using interest rate derivatives (fixed-variable swaps).
  - Available-for-sale equity instruments: This risk is hedged using equity forwards.
  - Fixed-interest loans: This risk is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest deposit portfolio hedges: This risk is hedged using interest-rate options and/or implicit interest rate derivatives. The valuation of the deposit hedges corresponding to interest-rate risk is recognized under the heading "Fair value changes of the hedged items in portfolio hedges of interest-rate risk."
- Cash-flow hedges
  - Most of the hedged items are floating interest-rate loans and asset hedges linked to the inflation of the available for sale portfolio. This risk is hedged using foreign-exchange, interest-rate swaps, inflation and FRA's ("Forward Rate Agreement").
- Net foreign-currency investment hedges:
  - The risks hedged are foreign-currency investments in the Group's foreign subsidiaries. This risk is hedged mainly with foreign-exchange options and forward currency purchases.

Note 7 analyze the Group's main risks that are hedged using these derivatives.

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

	Millions of Euros				
Hedging Derivatives by Markets and Transaction Type 2014	**Currency Risk**	**Interest Rate Risk**	**Equity Price Risk**	**Other Risks**	**Total**
OTC markets					
Credit institutions					
Fair value hedge	(12)	859	(5)	-	842
Of which: Macro hedge	-	(208)	-	-	(208)
Cash flow hedge	10	1	-	-	12
Net investment in a foreign operation hedge	(1)	(501)	-	-	(502)
Subtotal	(3)	359	(5)	-	351
Other financial Institutions					
Fair value hedge	-	46	(21)	(61)	(36)
Of which: Macro hedge	-	(70)	-	-	(70)
Cash flow hedge	(1)	(7)	-	-	(8)
Net investment in a foreign operation hedge	-	-	-	-	-
Subtotal	(1)	39	(21)	(61)	(44)
Other sectors					
Fair value hedge	-	(24)	(62)	-	(86)
Of which: Macro hedge	-	(26)	-	-	(26)
Cash flow hedge	-	(2)	-	-	(2)
Net investment in a foreign operation hedge	-	-	-	-	-
Subtotal	-	(25)	(62)	-	(87)
Total	**(4)**	**372**	**(88)**	**(61)**	**219**
Of which:					
Asset Hedging Derivatives	**36**	**2,501**	**13**	**-**	**2,551**
Liability Hedging Derivatives	**(40)**	**(2,129)**	**(101)**	**(61)**	**(2,331)**

Hedging Derivatives by Markets and Transaction Type December 2013	Currency Risk	Interest Rate Risk	Equity Price Risk	Other Risks	Total
	Millions of Euros				
OTC markets					
Credit institutions					
Fair value hedge	(1)	675	(22)	(10)	642
Of which: Macro hedge	-	(253)	-	-	(253)
Cash flow hedge	-	12	-	-	12
Net investment in a foreign operation hedge	-	-	-	-	-
Subtotal	(1)	687	(22)	(10)	654
Other financial Institutions					
Fair value hedge	-	137	-	-	137
Of which: Macro hedge	-	(71)	-	-	(71)
Cash flow hedge	-	(7)	-	-	(7)
Net investment in a foreign operation hedge	-	-	-	-	-
Subtotal	-	130	-	-	130
Other sectors					
Fair value hedge	-	(44)	(2)	-	(46)
Of which: Macro hedge	-	(6)	-	-	(6)
Cash flow hedge	-	-	-	-	-
Net investment in a foreign operation hedge	-	-	-	-	-
Subtotal	-	(44)	(2)	-	(46)
Total	**(1)**	**773**	**(24)**	**(10)**	**738**
Of which:					
Asset Hedging Derivatives	**7**	**2,511**	**11**	**-**	**2,530**
Liability Hedging Derivatives	**(9)**	**(1,738)**	**(34)**	**(11)**	**(1,792)**

Hedging Derivatives by Markets and Transaction Type 2012	Currency Risk	Interest Rate Risk	Equity Price Risk	Other Risks	Total
	Millions of Euros				
Organized markets					
Fair value hedge	-	-	(52)	-	(52)
Subtotal	-	-	(52)	-	(52)
OTC markets					
Credit institutions					
Fair value hedge	11	1,773	(50)	(1)	1,733
Of which: Macro hedge	-	(365)	-	-	(365)
Cash flow hedge	21	35	-	-	56
Net investment in a foreign operation hedge	2	-	-	-	2
Subtotal	34	1,808	(50)	(1)	1,791
Other financial Institutions					
Fair value hedge	-	227	-	-	227
Of which: Macro hedge	-	(117)	-	-	(117)
Cash flow hedge	6	(13)	-	-	(7)
Net investment in a foreign operation hedge	-	-	-	-	-
Subtotal	6	214	-	-	220
Other sectors					
Fair value hedge	(6)	(16)	(3)	-	(25)
Of which: Macro hedge	-	(14)	-	-	(14)
Cash flow hedge	-	(8)	-	-	(8)
Net investment in a foreign operation hedge	-	-	-	-	-
Subtotal	(6)	(24)	(3)	-	(33)
Total	**34**	**1,998**	**(105)**	**(1)**	**1,926**
Of which:					
Asset Hedging Derivatives	**49**	**4,818**	**27**	**-**	**4,894**
Liability Hedging Derivatives	**(16)**	**(2,820)**	**(131)**	**(1)**	**(2,968)**

The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying consolidated balance sheet as of December 31, 2014 are:

	Millions of Euros				
Cash Flows of Hedging Instruments	**3 Months or Less**	**From 3 Months to 1 Year**	**From 1 to 5 Years**	**More than 5 Years**	**Total**
Receivable cash inflows	428	322	1,042	1,090	2,882
Payable cash outflows	420	332	998	1,009	2,758

The above cash flows will have an impact on the Group's consolidated income statements until 2050.

In 2014, 2013 and 2012, there was no reclassification in the accompanying consolidated income statements of any amount corresponding to cash flow hedges that was previously recognized in equity.

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test during 2014 was not material.

15. Non-current assets held for sale and liabilities associated with non-current assets held for sale

The composition of the balance under the heading "Non-current assets held for sale" in the accompanying consolidated balance sheets, broken down by the origin of the assets, is as follows:

	Millions of Euros		
Non-Current Assets Held-for-Sale and Liabilities Associated [Breakdown by type of Asset]	**2014**	**2013**	**2012**
Business sale - Assets (*)	924	92	1,536
Other assets from:			
Property, plants and equipment	315	302	168
Buildings for own use	272	270	125
Operating leases	43	32	43
Foreclosures and recoveries	3,330	3,099	3,044
Foreclosures	3,144	2,914	2,877
Recoveries from financial leases	186	185	167
Accrued amortization (**)	(74)	(49)	(47)
Impairment losses	(702)	(565)	(472)
Total Non-Current Assets Held-for-Sale	**3,793**	**2,880**	**4,229**

(*) As of December 31, 2014, mainly included the investment in CIFH. As of December 31, 2012 this item included the assets of the business sale agreement related to pension business in Latin America during 2012 as it is described in Note 3

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

The changes in the balances of "Non-current assets available for sale" in 2014, 2013 and 2012 are as follows:

		Millions of Euros				
		Foreclosed Assets				
Non-Current Assets Held-for-Sale Changes in the year 2014	**Notes**	**Foreclosed Assets through Auction Proceeding**	**Recovered Assets from Finance Leases**	**From Own Use Assets (*)**	**Other assets (**)**	**Total**
Cost (1)						
Balance at the beginning		**2,914**	**186**	**253**	**92**	**3,445**
Additions		783	50	82		916
Contributions from merger transactions		-	-	-		-
Retirements (*sales and other decreases*)		(565)	(36)	(161)		(762)
Transfers, other movements and exchange differences		12	(14)	67	832	897
Balance at the end		**3,144**	**187**	**241**	**924**	**4,495**
Impairment (2)						
Balance at the beginning		**420**	**45**	**99**	**-**	**565**
Additions	49	391	12	4		406
Contributions from merger transactions		-	-	-		-
Retirements (*sales and other decreases*)		(140)	(7)	(51)		(198)
Other movements and exchange differences		(93)	3	19		(71)
Balance at the end		**578**	**53**	**71**	**-**	**702**
Balance at the end of Net carrying value (1)-(2)		**2,565**	**134**	**170**	**924**	**3,793**

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

(**) Business sale agreement (Note 3)

		Millions of Euros				
		Foreclosed Assets				
Non-Current Assets Held-for-Sale Changes in the year 2013	**Notes**	**Foreclosed Assets through Auction Proceeding**	**Recovered Assets from Finance Leases**	**From Own Use Assets (*)**	**Other assets (**)**	**Total**
Cost (1)						
Balance at the beginning		**2,877**	**167**	**121**	**1,536**	**4,702**
Additions		940	84	69		1,093
Contributions from merger transactions		-	1	-		1
Retirements (*sales and other decreases*)		(569)	(58)	(117)	(1,536)	(2,280)
Transfers, other movements and exchange difference		(334)	(9)	180	92	(72)
Balance at the end		**2,914**	**186**	**253**	**92**	**3,445**
Impairment (2)						
Balance at the beginning		**415**	**42**	**15**	**-**	**472**
Additions	49	569	29	3		602
Contributions from merger transactions		-	-	-		-
Retirements (*sales and other decreases*)		(118)	(15)	(15)		(147)
Transfers, other movements and exchange differences		(447)	(12)	96		(363)
Balance at the end		**420**	**45**	**99**	**-**	**565**
Balance at the end of Net carrying value (1)-		**2,494**	**141**	**154**	**92**	**2,880**

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

(**) Business sale agreement (Note 3)

Non-Current Assets Held-for-Sale Changes in the year 2012	Notes	Foreclosed Assets: Foreclosed Assets through Auction Proceeding	Foreclosed Assets: Recovered Assets from Finance Leases	From Own Use Assets (*)	Other assets (**)	Total
		Millions of Euros				
Cost (1)						
Balance at the beginning		**2,032**	**177**	**100**	**-**	**2,309**
Additions		1,037	61	99	-	1,196
Contributions from merger transactions		451	29	-	-	480
Retirements (*sales and other decreases*)		(608)	(66)	(107)	-	(781)
Transfers, other movements and exchange difference		(36)	(33)	30	1,536	1,497
Balance at the end		**2,877**	**167**	**121**	**1,536**	**4,701**
Impairment (2)						
Balance at the beginning		**186**	**32**	**17**	**-**	**234**
Additions	49	500	19	5	-	524
Contributions from merger transactions		124	-	-	-	124
Retirements (*sales and other decreases*)		(98)	(14)	(2)	-	(114)
Transfers, other movements and exchange differences		(296)	5	(5)	-	(296)
Balance at the end		**415**	**42**	**15**	**-**	**472**
Balance at the end of Net carrying value (1)-		**2,462**	**125**	**106**	**1,536**	**4,229**

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

(**) Business sale agreement (Note 3)

Assets from foreclosures or recoveries

As of December 31, 2014, 2013 and 2012, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €2,330, €2,279 and €2,247 million in assets for residential use; €342, €326 and €317 million in assets for tertiary use (industrial, commercial or office) and €26, €29 and €23 million in assets for agricultural use, respectively.

In December 31, 2014, 2013 and 2012, the average sale time of assets from foreclosures or recoveries was about 2 years.

During the years 2014, 2013 and 2012, some of the sale transactions for these assets were financed by Group companies. The amount of loans to buyers of these assets in those years amounted to €165, €118 and €168 million, respectively; with an average financing of 78% of the sales price.

As of December 31, 2014, 2013 and 2012, the amount of the profits arising from the sale of Group companies financed assets - and therefore not recognized in the consolidated income statement - amounted to €22, €24 and €28 million, respectively.

16. Investments in entities accounted for using the equity method

The breakdown of the balances of "Investments in entities accounted for using the equity method" in the accompanying consolidated balance sheets is as follows:

Investments in Entities Accounted for Using the Equity Method	2014	2013	2012
	Millions of Euros		
Associates entities	417	1,272	6,469
Joint ventures	4,092	3,470	4,313
Total	**4,509**	**4,742**	**10,782**

16.1 Associates

The following table shows the carrying amount of the most significant of the Group's investments in associates:

	Millions of Euros		
Associates Entities	**2014**	**2013**	**2012**
China Citic Bank Corp Ltd (CNCB)	-	-	5,372
Citic International Financial Holdings Ltd (CIFH)	-	631	593
Metrovacesa	233	315	317
Occidental Hoteles Management, S.L.	-	98	-
Tubos Reunidos, S.A.	-	53	54
Brunara SICAV, S.A.	52	48	-
Other associates	132	127	133
Total	**417**	**1,272**	**6,469**

Appendix II shows the details of the associates as of December 31, 2014.

The following is a summary of the changes in 2014,2013 and in 2012 under this heading in the accompanying consolidated balance sheets:

	Millions of Euros		
Associates Entities. Changes in the Year	**2014**	**2013**	**2012**
Balance at the beginning	**1,272**	**6,469**	**5,567**
Acquisitions and capital increases	1	65	10
Disposals and capital reductions	(2)	(4)	(16)
Transfers and changes in the consolidation method	(948)	(5,453)	353
Earnings	26	425	721
Exchange differences	89	(71)	(53)
Others	(21)	(159)	(113)
Balance at the end	**417**	**1,272**	**6,469**

The changes in 2014 are mainly a result of the reclassification of the stake in CIFH to Non current assets (see Note 3).

During the year ended December 31, 2014, the investment on Occidental Hoteles Management, S.L. was reclassified to "Non-current assets available for sale". Also, BBVA sold 6.89% of its participation in Tubos Reunidos, S.A., decreasing its participation to 14.47%, which meant a loss of significant influence and triggered therefore the reclassification of this investment to "Financial assets available for sale" in an amount of €47 million. The impact in equity and the consolidated income statement is not material.

The changes in 2013 are mainly a result of the sale and reclassification of the remaining stake in CNCB to the heading "Available-for-sale financial assets" as it is mentioned in the Note 3.

16.2 Investments in joint venture entities

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

	Millions of Euros		
Joint ventures	**2014**	**2013**	**2012**
Garanti Group (Note 3)	3,853	3,245	3,991
Rest	239	225	120
Total	**4,092**	**3,470**	**4,313**

Details of the joint ventures accounted for using the equity method as of December 31, 2014 are shown in Appendix II.

The following is a summary of the changes as date of December 31, 2014, 2013 and 2012 under this heading in the accompanying consolidated balance sheets:

	Millions of Euros		
Joint ventures. Changes in the Year	**2014**	**2013**	**2012**
Balance at the beginning	**3,470**	**4,313**	**3,732**
Acquisitions and capital increases	35	70	4
Disposals	(8)	(11)	(1)
Transfers	-	(155)	(7)
Earnings	317	269	318
Exchange differences	146	(818)	134
Others	132	(198)	133
Balance at the end	**4,092**	**3,470**	**4,313**

16.3 Other information about associates and joint ventures

The following table provides relevant information of the balance sheets and income statements of Garanti Group.

	Millions of Euros		
Garanti: Financial Main figures (*)	**2014 (*)**	**2013 (*)**	**2012 (*)**
Total assets	**20,955**	**18,394**	**18,850**
Of which:			
Loans and advances to customers	12,810	11,093	10,860
Total liabilities	18,631	16,411	16,520
Of which:			
Customer deposits	10,405	9,501	9,790
Net interest margin	514	703	693
Gross income	802	1,080	1,041
Net operating income	325	445	463
Net income attributes to Garanti Group	255	353	364

(*) Financial statements of Garanti Group under IFRS and without consolidation adjustments, and multiplied by the voting rights controlled by the bank. Figures available at the time of closing.

On November 19, 2014, the Group subscribed a new agreement with Dogus for the acquisition of an additional 14.89% in Garanti (see Note 3). In accordance with the applicable accounting rules the BBVA Group shall value its current stake in Garanti Bank at fair value and shall fully consolidate Garanti Bank in the consolidated financial statements of the BBVA Group as from the date of the actual acquisition of control (see Note 3).

The main adjustments made to the financial statements of Garanti to properly accounted for it under the equity method are related to the purchase price allocation (PPA). None of these adjustments is material.

The following table provides relevant information of the balance sheets and income statements of associates and joint ventures, excluding Garanti, as of December 31, 2014, 2013 and 2012, respectively.

	Millions of Euros					
Associates and Joint ventures	**2014 (*)**		**2013 (*)**		**2012 (*)**	
Interest Margin	(28)	(1)	73	26	1,424	14
Gross income	76	82	305	78	1,940	48
Profit from continuing operations	(10)	-	82	(23)	783	(46)
Profit from discontinued operations (net)	-	-	-	-	-	-
Total	(10)	-	77	(23)	596	(46)

(*) Dates of the company's financial statements updated at the most recent available information. Information applying the corresponding ownership and without the corresponding standardization and consolidation adjustments.

As of December 31 2014 there was no financial support agreement or other contractual commitment to associated entities and joint ventures entities from the holding or the subsidiaries that are not recognized in the financial statements (see Note 52.2).

As of December 31, 2014 there was no contingent liability in connection with the investments in joint ventures and associated entities (See Note 52.2).

16.4 Notifications about acquisition of holdings

Appendix III provides notifications on acquisitions and disposals of holdings in associates or joint ventures, in compliance with Article 155 of the Corporations Act and Article 53 of the Securities Market Act 24/1988.

16.5 Impairment

As described in IAS 36, in the case of sign of impairment, the book value of the associates and joint venture entities has been compared with their recoverable amount, being the latter calculated as the largest between the value in use and the fair value minus the cost of sale. For the year ended December 31, 2014, there is no recording due to impairment. The valuation of the most relevant investments is reviewed when deemed appropriate by independent experts.

17. Tangible assets

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

Tangible Assets. Breakdown by Type of Assets and Changes in the year 2014	Millions of Euros: For Own Use: Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles	Total tangible asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	Total
Cost -							
Balance at the beginning	**3,980**	**715**	**6,827**	**11,522**	**2,519**	**705**	**14,747**
Additions	153	517	568	1,238	4	176	1,418
Retirements	(48)	(32)	(697)	(777)	(96)	(38)	(911)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	(30)	(94)	33	(91)	(41)	(173)	(305)
Exchange difference and other	113	(21)	(827)	(735)	(206)	4	(937)
Balance at the end	**4,168**	**1,085**	**5,904**	**11,157**	**2,180**	**674**	**14,012**
Accrued depreciation -							
Balance at the beginning	**1,179**	**-**	**4,801**	**5,980**	**102**	**233**	**6,314**
Additions (Note 47)	94	-	495	589	22	-	611
Retirements	(20)	-	(669)	(689)	(6)	(1)	(696)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	(11)	-	(17)	(28)	(1)	(20)	(49)
Exchange difference and other	13	-	(857)	(844)	(15)	14	(845)
Balance at the end	**1,255**	**-**	**3,753**	**5,008**	**102**	**226**	**5,335**
Impairment -							
Balance at the beginning	**153**	**-**	**15**	**168**	**727**	**6**	**900**
Additions	25	-	10	35	61	-	97
Retirements	(1)	-	-	(1)	(46)	-	(47)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Disposal of entities in the year	-	-	-	-	-	-	-
Exchange difference and other	(29)	-	(9)	(38)	(55)	-	(93)
Balance at the end	**148**	**-**	**16**	**164**	**687**	**6**	**857**
Net tangible assets -							
Balance at the beginning	**2,647**	**715**	**2,011**	**5,373**	**1,693**	**468**	**7,534**
Balance at the end	**2,764**	**1,085**	**2,135**	**5,985**	**1,392**	**443**	**7,819**

Tangible Assets. Breakdown by Type of Assets and Changes in the year 2013	Millions of Euros: For Own Use: Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles	Total Tangible Asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	Total
Cost -							
Balance at the beginning	**4,071**	**505**	**6,746**	**11,322**	**2,609**	**768**	**14,700**
Additions	108	406	507	1,021	87	144	1,252
Retirements	(12)	(11)	(378)	(402)	(52)	(1)	(455)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	45	(150)	109	4	(122)	(155)	(272)
Exchange difference and other	(232)	(35)	(156)	(423)	(3)	(52)	(478)
Balance at the end	**3,980**	**715**	**6,827**	**11,522**	**2,519**	**705**	**14,747**
Accrued depreciation -							
Balance at the beginning	**1,144**	**-**	**4,811**	**5,956**	**95**	**237**	**6,287**
Additions (Note 47)	101	-	459	560	21	-	581
Retirements	(6)	-	(342)	(347)	(2)	-	(350)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	(2)	-	(16)	(18)	(2)	(7)	(26)
Exchange difference and other	(58)	-	(112)	(169)	(11)	2	(178)
Balance at the end	**1,179**	**-**	**4,801**	**5,980**	**102**	**233**	**6,314**
Impairment -							
Balance at the beginning	**177**	**-**	**13**	**189**	**646**	**6**	**841**
Additions	17	-	15	32	127	-	160
Retirements	(4)	-	-	(4)	-	-	(4)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Exchange difference and other	-	-	-	-	-	-	-
Balance at the end	(37)	-	(13)	(50)	(46)	-	(96)
	153	-	15	168	727	6	900
Net tangible assets -							
Balance at the beginning	**2,750**	**505**	**1,922**	**5,177**	**1,870**	**525**	**7,572**
Balance at the end	**2,647**	**715**	**2,011**	**5,373**	**1,693**	**468**	**7,534**

	Millions of Euros						
	For Own Use						
Tangible Assets. Breakdown by Type of Assets and Changes in the year 2012	**Land and Buildings**	**Work in Progress**	**Furniture, Fixtures and Vehicles**	**Total Tangible Asset of Own Use**	**Investment Properties**	**Assets Leased out under an Operating Lease**	**Total**
Cost -							
Balance at the beginning	**3,552**	**349**	**5,993**	**9,894**	**1,911**	**1,200**	**13,005**
Additions	86	262	442	789	48	226	1,063
Retirements	(42)	(19)	(109)	(170)	(41)	(31)	(243)
Acquisition of subsidiaries in the year	442	1	257	699	752	-	1,451
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	14	(93)	19	(61)	(56)	(192)	(308)
Exchange difference and other	20	7	145	171	(4)	(435)	(267)
Balance at the end	**4,071**	**505**	**6,746**	**11,322**	**2,609**	**768**	**14,700**
Accrued depreciation -							
Balance at the beginning	**1,005**	**-**	**4,139**	**5,144**	**50**	**352**	**5,546**
Additions (Note 47)	98	-	446	544	22	-	565
Retirements	(10)	-	(90)	(100)	(3)	(31)	(134)
Acquisition of subsidiaries in the year	37	-	210	248	29	-	277
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	-	-	1	1	-	(97)	(97)
Exchange difference and other	15	-	104	119	(2)	12	129
Balance at the end	**1,144**	**-**	**4,811**	**5,956**	**95**	**237**	**6,287**
Impairment -							
Balance at the beginning	**37**	**-**	**11**	**47**	**273**	**12**	**332**
Additions	-	-	-	1	89	-	90
Retirements	(1)	-	-	(1)	(108)	(1)	(110)
Acquisition of subsidiaries in the year	135	-	-	135	417	-	552
Exchange difference and other	6	-	2	7	(25)	(4)	(22)
Balance at the end	177	-	13	189	646	6	841
Net tangible assets -							
Balance at the beginning	**2,510**	**349**	**1,842**	**4,702**	**1,589**	**836**	**7,126**
Balance at the end	**2,750**	**505**	**1,922**	**5,177**	**1,870**	**525**	**7,572**

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

The balance of amortizations in this heading during the years ended December 31, 2014, 2013 and 2012 are provided in Note 44.

As of December 31, 2014, 2013 and 2012 the amount of tangible assets under financial lease schemes on which it is expected to exercise the purchase option was not significant.

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

	Number of Branches		
Branches by Geographical Location	**2014**	**2013**	**2012**
Spain	3,112	3,230	3,518
Mexico	1,831	1,794	1,888
South America	1,676	1,590	1,644
The United States	672	685	707
Rest of the world	80	121	121
Total	**7,371**	**7,420**	**7,878**

The following table shows the detail of the net carrying amount of the tangible assets corresponding to Spanish and foreign subsidiaries as of December 31, 2014, 2013 and 2012:

	Millions of Euros		
Tangible Assets by Spanish and Foreign Subsidiaries Net Assets Values	**2014**	**2013**	**2012**
Foreign subsidiaries	3,737	3,157	3,006
BBVA and Spanish subsidiaries	4,083	4,377	4,567
Total	**7,820**	**7,534**	**7,572**

18. Intangible assets

18.1 Goodwill

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the cash-generating units (CGUs), to which the Goodwill are allocated for purposes of impairment testing, is as follows:

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

The addition in The United States is related to the purchase of Simple (see Note 3)

	Millions of Euros					
Goodwill. Breakdown by CGU and Changes of the year 2013	**Balance at the Beginning**	**Additions**	**Exchange Difference**	**Impairment**	**Rest**	**Balance at the End**
The United States	4,320	-	(187)	-	-	4,133
Mexico	663	-	(33)	-	-	630
Colombia	259	-	(32)	-	-	227
Chile	175	-	(9)	-	(100)	65
Rest	13	-	(1)	-	-	12
Total	**5,430**	**-**	**(262)**	**-**	**(100)**	**5,069**

	Millions of Euros					
Goodwill. Breakdown by CGU and Changes of the year 2012	**Balance at the Beginning**	**Additions**	**Exchange Difference**	**Impairment**	**Rest**	**Balance at the End**
The United States	4,409	-	(85)	-	(4)	4,320
Mexico	632	-	32	-	(1)	663
Colombia	240	-	19	-	-	259
Chile	188	-	11	-	(24)	175
Rest	66	-	-	(54)	-	13
Total	**5,535**	**-**	**(23)**	**(54)**	**(29)**	**5,430**

Impairment Test

As described in Note 2.2.8, the cash-generating units (CGUs) to which goodwill has been allocated are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually and whenever there is any indication of impairment. As of December 31, 2014, no indicators of impairment have been identified in any of the main cash-generating units.

The Group's most significant goodwill corresponds to the CGU in the United States. The calculation of the impairment loss uses the cash flow projections estimated by the Group's Management, based on the latest budgets available for the next 5 years. Given the potential growth of the sector, in accordance with paragraph 33 of IAS 36, as of December 31, 2014, the Group used a steady growth rate of 4% (same as December 31, 2013 and 2012) to extrapolate the cash flows in perpetuity starting on the fifth year (2019), based on the real GDP growth rate of the United States and expected inflation. This 4% rate is less than the historical average of the past 30 years of the nominal GDP rate of the United States and lower than the real GDP growth forecasted by the IMF. In addition, the Group has a greater relative weight of its business in Texas where it is expected (according to BBVA Research forecasts) that the economic recovery will be better than in the rest of the country.

The rate used to discount the cash flows is the cost of capital assigned to the CGU, and stood at 10.0% as of December 31, 2014 (10.8%, and 11.2% as of December 31, 2013 and 2012, respectively), which consists of the free risk rate plus a risk premium which shows the risks specific to the business under review.

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the growth rate as detailed below:

	Millions of Euros	
Sensitivity analysis for main hypotheses (*)	**Impact of an increase of 50 basis points**	**Impact of a drecrease of 50 basis points**
Discount rate	(842)	713
Rate of increase	1,192	(1,413)

(*) Based on historical changes, the use of 50 basis points to calculate the sensitivity analysis would be a reasonable variation with respect to the observed variations over the last five years.

Another assumption used, and with a high impact on the impairment test, is the budgets of the CGU and specifically the effect that changes in interest rates have on cash flows. In case of a rise in interest rates in the United States, net interest income would be positively affected and, therefore, the recoverable amount of the CGU would increase.

In previous years, the Group performed the necessary goodwill impairment tests with the following results:

As of December 31, 2013, no impairment was detected in any of the main cash-generating units.

As of December 31, 2012, no impairment was detected in any of the main cash-generating units, except for the immaterial impairment loss of €49 million in the retail business in Europe and €4 million in wholesale business in. This amount was recognized under the heading "Impairment losses on other assets (net) – Goodwill and other intangible assets" in the consolidated income statement for 2012 (see Note 47).

Both the CGU's fair values in the United States and the fair values assigned to its assets and liabilities had been based on the estimates and assumptions that the Group's Management has deemed most likely given the circumstances. However, some changes to the valuation assumptions used could result in differences in the impairment test result.

In general, goodwill valuations are reviewed by independent experts by applying different valuation methods on the basis of each asset and liability. The valuation methods used are: The method for calculating the discounted value of future cash flows, the market transaction method and the cost method.

Unnim Acquisition

As stated in Note 3, in 2012 the Group acquired 100% of the share capital of the Unnim Bank ("Unnim").

Shown below are details of the carrying amount of the consolidated assets and liabilities of Unnim prior to its acquisition and the corresponding fair values, gross of tax, which have been estimated in accordance with the IFRS-3 acquisition method to calculate the goodwill recognized as a result of this acquisition.

	Millions of Euros	
Valuation and calculation of badwill for the acquisition of 100% stake in Unnim	**Carrying Amount**	**Fair Value**
Acquisition cost (A)		
Cash	184	184
Loans and receivables	18,747	18,974
Of which: Asset Protection Schemes (APS)	-	1,744
Financial assets	4,801	4,569
Hedging derivates	571	571
Non-current assets held for sale	707	457
Investments in entities accounted for using the equity method	206	89
Tangible assets	1,090	752
Of which: Real Estate	1,045	708
Intangibles assets obtained from previous business combinations	7	-
Intangible assets identify at the date of the business combination	-	187
Other assets (including inventories)	1,200	658
Financial liabilities	(27,558)	(26,102)
Provisions	(237)	(687)
Other liabilities	(91)	(91)
Deferred tax	932	794
Total fair value of assets and liabilities acquiered (B)	559	355
Non controlling Interest Unnim Group* (C)	(34)	(34)
Badwill (A)-(B)-(C)		**(321)**

(*) Non-controlling interests that Unnim Group maintained at July 27, 2012 previous to the integration.

Because the resulting goodwill was negative, a gain was recognized in the accompanying consolidated income statement for 2012 under the heading "Negative goodwill" (see Note 2.2.7).

The valuations were reviewed by independent experts (other than the Group's accounts auditor) by applying different valuation methods on the basis of each asset and liability. The valuation methods used are: The method for calculating the discounted value of future cash flows, the market transaction method and the cost method.

18.2 Other intangible assets

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

	Millions of Euros		
Other Intangible Assets	**2014**	**2013**	**2012**
Computer software acquisition expenses	1,519	1,480	1,370
Other deferred charges	22	20	34
Other intangible assets	134	199	303
Impairment	(2)	(9)	(5)
Total	**1,673**	**1,690**	**1,702**

		Millions of Euros		
Other Intangible Assets. Changes Over the Period	**Notes**	**2014**	**2013**	**2012**
Balance at the beginning		**1,690**	**1,702**	**1,344**
Additions		467	543	789
Amortization in the year	44	(535)	(514)	(413)
Exchange differences and other		59	(33)	(18)
Impairment	47	(8)	(9)	-
Balance at the end		**1,673**	**1,690**	**1,702**

The amortization amounts registered under this heading for the year 2014, 2013 and 2012 are detailed in Note 44.

As of December 31, 2014, the balance of fully amortized intangible assets that remained in use was €778 million, while their recoverable value is not significant.

19. Tax assets and liabilities

19.1 Consolidated tax group

Pursuant to current legislation, the BBVA Consolidated Tax Group includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish other banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

19.2 Years open for review by the tax authorities

The years open to review in the BBVA Consolidated Tax Group as of 31 December, 2014 are 2010 and subsequent years for the main taxes applicable.

The remainder of the Spanish consolidated entities in general have the last four years open for inspection by the tax authorities for the main taxes applicable, except for those in which there has been an interruption of the limitation period due to the start of an inspection.

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

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

19.3 Reconciliation

The reconciliation of the Group's corporate income tax expense resulting from the application of the standard income tax rate and the income tax expense recognized in the accompanying consolidated income statements is as follows:

	Millions of Euros					
Reconciliation of Taxation at the Spanish Corporation Tax Rate to the Tax Expense Recorded for the Period	**2014**		**2013**		**2012**	
	Amount	**Effective Tax %**	**Amount**	**Effective Tax %**	**Amount**	**Effective Tax %**
Consolidated profit before tax	**3,980**		**2,864**		**2,111**	
From continuing operations	3,980		954		1,582	
From discontinued operations	-		1,910		529	
Taxation at Spanish corporation tax rate 30%	1,194	30.00%	859	30.00%	633	30.00%
Lower effective tax rate from our foreign entities (*)	(318)		(498)		(273)	
Mexico	(145)	24.27%	(301)	19.53%	(133)	24.60%
Chile	(71)	(8.36%	(23)	23.00%	(54)	17.77%
Venezuela	(16)	25.85%	(128)	13.16%	(109)	13.23%
Colombia	2	30.41%	(20)	25.06%	(16)	26.60%
Peru	(12)	27.59%	(59)	20.74%	(18)	26.64%
Others	(76)		33		57	
Decrease of tax expense (Amortization of certain goodwill)						
Revenues with lower tax rate (dividends)	(88)		(50)		(85)	
Equity accounted earnings	(147)		(211)		(316)	
Other effects	257		(73)		(176)	
Current income tax	**898**		**27**		**(217)**	
Of wich:						
Continuing operations	898		(16)		(352)	
Discontinued operations	-		43		135	

(*) Calculated by applying the difference between the tax rate in force in Spain and the one applied to the Group's earnings in each jurisdiction.

The effective income tax rate for the Group in the year ended December 31 2014, 2013 and 2012 is as follows:

	Millions of Euros		
Effective Tax Rate	**2014**	**2013**	**2012**
Income from:			
Consolidated Tax Group	(997)	(3,115)	(3,972)
Other Spanish Entities	18	(13)	589
Foreign Entities	4,959	5,992	5,494
Total (*)	**3,980**	**2,864**	**2,111**
Income tax and other taxes	898	27	(217)
Effective Tax Rate	**22.56%**	**0.94%**	**(10.28)%**

(*) Includes income before taxes from continuing and discontinued transactions

19.4 Income tax recognized in equity

In addition to the income tax expense recognized in the accompanying consolidated income statements, the Group has recognized the following income tax charges for these items in the consolidated equity:

	Millions of Euros		
Tax Recognized in Total Equity	**2014**	**2013**	**2012**
Charges to total equity			
Debt securities	(953)	(223)	
Equity instruments	(188)	(9)	(19)
Subtotal	(1,141)	(232)	(19)
Credits to total equity			
Equity instruments			
Debt securities and others			196
Subtotal			196
Total	**(1,141)**	**(232)**	**177**

19.5 Deferred taxes

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

	Millions of Euros		
Tax Assets and Liabilities	**2014**	**2013**	**2012**
Tax assets-			
Current	2,035	2,502	1,851
Deferred	10,391	9,202	9,859
Pensions	902	750	1,220
Portfolio	920	1,138	1,839
Other assets (investments in subsidiaries)	535	456	277
Impairment losses	1,041	790	2,682
Other	905	512	1,375
Secured tax assets	4,881	4,373	-
Tax losses	1,207	1,183	2,466
Total	**12,426**	**11,704**	**11,710**
Tax Liabilities-			
Current	980	993	1,058
Deferred	3,177	1,537	2,762
Portfolio	2,096	925	1,100
Charge for income tax and other taxes	1,081	612	1,662
Total	**4,157**	**2,530**	**3,820**

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

Of the deferred tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish and Portuguese governments, broken down by the items that originated those assets is as follows:

	Millions of Euros	
Secured tax assets	**2014**	**2013**
Pensions	1,741	1,565
Impairment losses	3,140	2,808
Total	**4,881**	**4,373**

As of December 31, 2014, unsecured net deferred tax assets of the above table amounted to €2,332 million (€3,291 million in 2013 and €7,097 million in 2012), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €1,383 million in 2014 (€2,322 million in 2013 and €6,183 million in 2012). €1,205 million of the figure recorded in the year 2014 for net deferred tax assets related to tax credits and tax loss carry forwards and €178 million relate to temporary differences.

- Mexico: Net deferred tax assets recognized in Mexico amounted to €399 million in 2014 (€402 million in 2013 and €279 million in 2012). 99.93% of deferred tax assets as of December 31, 2014 relate to temporary differences. The remainder are tax credits carry forwards.

- South America: Net deferred tax assets recognized in South America amounted to €364 million in 2014 (€379 million in 2013 and €418 million in 2012). All the deferred tax assets relate to temporary differences.

- United States: Net deferred tax assets recognized in the United States amounted to €160 million in 2014 (€130 million in 2014 and €125 million in 2012). All the deferred tax assets relate to temporary differences.

Based on the information available at year end, including historical levels of benefits and projected results available to the Bank for the coming years, it is considered that sufficient taxable income will be generated for the recovery of referred unsecured deferred tax assets when they become deductible according to the tax laws.

As of December 31, 2014, 2013 and 2012 the aggregate amount of temporary differences associated with investments in foreign subsidiaries, branches and associates and investments in joint venture entities, for which no deferred tax liabilities have been recognized in the accompanying consolidated balance sheets, were €497, €297 million and €267 million, respectively.

20. Other assets and liabilities

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

	Millions of Euros		
Other Assets and Liabilities. Breakdown by Nature	**2014**	**2013**	**2012**
ASSETS-			
Inventories	4,443	4,636	4,223
Real estate companies	4,389	4,556	4,059
Others	54	79	164
Transactions in transit	230	223	886
Accruals	706	643	660
Unaccrued prepaid expenses	491	452	475
Other prepayments and accrued income	215	190	185
Other items	2,715	2,183	1,899
Total	**8,094**	**7,684**	**7,668**
LIABILITIES-			
Transactions in transit	77	58	440
Accruals	2,370	2,199	2,303
Unpaid accrued expenses	1,772	1,592	1,648
Other accrued expenses and deferred income	598	608	655
Other items	2,072	2,204	1,843
Total	**4,519**	**4,460**	**4,586**

The heading "Inventories" includes the net book value of land and building purchases that the Group's Real estate entities have available for sale or as part of their business. Balances under this heading include mainly real estate assets acquired by these entities from customers in default (mostly in Spain), net of their corresponding losses. The losses registered under the heading "Financial losses on other assets (Net)" of the accompanying consolidated financial statements were €192, €270 million and €956 million for the years ended December 31, 2014, 2013 and 2012 respectively (see Note 47).The roll-forward of our inventories from distressed customers is provided below:

	Millions of Euros		
Inventories from Distressed Customers	**2014**	**2013**	**2012**
Gross value			
Balance at the beginning	**9,343**	**8,706**	**8,633**
Acquisitions	479	896	817
Disposals	(973)	(889)	(830)
Others	268	630	86
Balance at the end	**9,117**	**9,343**	**8,706**
Accumulated impairment losses	(4,898)	(4,939)	(4,747)
Carrying amount	**4,219**	**4,396**	**3,959**

21. Financial liabilities at amortized cost

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

Financial Liabilities at Amortized Cost	Notes	2014	2013	2012
		Millions of Euros		
Deposits from Central Banks	9	28,193	30,893	46,475
Deposits from Credit Institutions	21.1	65,168	52,423	55,675
Customer deposits	21.2	319,060	300,490	282,795
Debt certificates	21.3	58,096	64,120	86,255
Subordinated liabilities	21.4	14,095	10,556	11,815
Other financial liabilities	21.5	7,288	6,067	7,792
Total		**491,899**	**464,549**	**490,807**

21.1 Deposits from credit institutions

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

Deposits from Credit Institutions	Notes	2014	2013	2012
		Millions of Euros		
Reciprocal accounts		218	333	280
Deposits with agreed maturity		26,731	27,088	30,022
Demand deposits		5,082	2,485	3,404
Other accounts		51	342	206
Repurchase agreements	34	32,935	22,007	21,533
Subtotal		65,017	52,255	55,445
Accrued interest until expiration		151	168	230
Total		**65,168**	**52,423**	**55,675**

The breakdown by geographical area and the nature of the related instruments of this heading in the accompanying consolidated balance sheets, disregarding interest accrued pending maturity, is as follows:

Deposits from Credit Institutions 2014	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
	Millions of Euros			
Spain	1,327	6,444	2,442	10,213
Rest of Europe	1,191	9,881	27,932	39,004
Mexico	125	1,065	1,873	3,063
The United States	1,669	4,733	-	6,402
South América	961	3,193	456	4,610
Rest of the world	33	1,461	231	1,725
Total	**5,306**	**26,777**	**32,935**	**65,017**

Deposits from Credit Institutions 2013	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
	Millions of Euros			
Spain	806	7,781	562	9,149
Rest of Europe	291	9,222	17,313	26,826
Mexico	166	2,071	3,594	5,831
South America	546	2,816	388	3,750
The United States	990	4,726	-	5,716
Rest of the world	19	813	150	982
Total	**2,818**	**27,429**	**22,007**	**52,254**

Deposits from Credit Institutions 2012	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
	Millions of Euros			
Spain	2,078	8,407	1,157	11,642
Rest of Europe	260	11,584	6,817	18,661
Mexico	220	1,674	12,967	14,861
South America	477	3,455	376	4,308
The United States	619	4,759	216	5,594
Rest of the world	31	349	-	380
Total	**3,685**	**30,228**	**21,533**	**55,445**

21.2 Customer deposits

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

Customer Deposits	Notes	2014	2013	2012
		Millions of Euros		
Government and other government agencies		22,120	25,058	32,439
Spanish		7,620	5,913	5,185
Foreign		11,457	10,618	10,611
Repurchase agreements	34	3,022	8,512	16,607
Accrued interests		21	15	36
Other resident sectors		134,600	136,634	119,360
Current accounts		35,476	32,430	28,653
Savings accounts		24,033	21,128	19,554
Fixed-term deposits		60,783	69,976	61,972
Repurchase agreements	34	13,306	11,608	8,443
Other accounts		496	950	53
Accrued interests		506	542	685
Non-resident sectors		162,341	138,799	130,998
Current accounts		60,938	57,502	53,088
Savings accounts		41,522	33,245	34,797
Fixed-term deposits		51,014	39,781	38,490
Repurchase agreements	34	8,289	7,740	3,999
Other accounts		182	201	236
Accrued interests		396	330	388
Total		**319,060**	**300,490**	**282,796**
Of which:				
In euros		160,078	160,172	150,093
In foreign currency		158,983	140,318	132,702
Of which:				
Deposits from other creditors without valuation adjustment		318,387	299,660	281,984
Accrued interests		673	830	811

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

	Millions of Euros				
Customer Deposits 2014	**Demand Deposits**	**Savings Deposits**	**Deposits with Agreed Maturity**	**Repurchase Agreements**	**Total**
Spain	43,235	24,054	66,111	9,781	143,181
Rest of Europe	2,088	532	7,350	8,036	18,006
Mexico	22,550	9,592	8,156	6,358	46,657
South America	22,992	14,159	20,227	441	57,819
The United States	18,962	19,333	12,571	2	50,867
Rest of the world	734	-	873	-	1,607
Total	**110,561**	**67,670**	**115,289**	**24,617**	**318,137**

	Millions of Euros				
Customer Deposits 2013	**Demand Deposits**	**Savings Deposits**	**Deposits with Agreed Maturity**	**Repurchase Agreements**	**Total**
Spain	37,540	21,147	71,710	12,433	142,829
Rest of Europe	2,192	269	7,881	8,902	19,244
Mexico	19,902	8,583	6,670	5,758	40,913
South America	24,257	14,057	17,245	659	56,218
The United States	17,532	12,348	9,141	108	39,128
Rest of the world	305	70	897	-	1,272
Total	**101,727**	**56,473**	**113,544**	**27,860**	**299,604**

	Millions of Euros				
Customer Deposits 2012	**Demand Deposits**	**Savings Deposits**	**Deposits with Agreed Maturity**	**Repurchase Agreements**	**Total**
Spain	32,663	19,729	63,025	21,594	137,011
Rest of Europe	2,494	278	5,796	4,635	13,203
Mexico	19,029	7,990	8,187	2,061	37,267
South America	22,381	14,423	17,186	759	54,749
The United States	15,415	13,946	9,473	-	38,834
Rest of the world	209	53	362	-	624
Total	**92,191**	**56,419**	**104,029**	**29,049**	**281,687**

21.3 Debt certificates (including bonds)

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

	Millions of Euros		
Debt Certificates	**2014**	**2013**	**2012**
Promissory notes and bills	1,070	1,318	11,156
Bonds and debentures	57,026	62,802	75,099
Total	**58,096**	**64,120**	**86,255**

The changes in the balances under this heading, together with the “Subordinated Liabilities” for 2014, 2013 and 2012 are included in Note 54.2.

21.3.1 Promissory notes and bills

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

Promissory notes and bills	2014	2013	2012
	Millions of Euros		
In euros	410	1,231	10,346
In other currencies	660	88	810
Total	**1,070**	**1,318**	**11,156**

These promissory notes were issued by BBVA Banco de Financiación, S.A., BBVA Senior Finance, S.A. Unipersonal and BBVA US Senior, S.A. Unipersonal. The issues of promissory notes by BBVA Banco de Financiación, S.A., BBVA Senior Finance, S.A. Unipersonal and BBVA US Senior, S.A. Unipersonal, are guaranteed jointly, severally and irrevocably by the Bank.

21.3.2 Bonds and debentures issued

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

Bonds and debentures issued	2014	2013	2012
	Millions of Euros		
In Euros -	**43,890**	**51,373**	**63,355**
Non-convertible bonds and debentures at floating interest rates	2,376	177	3,141
Non-convertible bonds and debentures at fixed interest rates	8,555	11,818	14,429
Mortgage Covered bonds	26,119	31,715	35,765
Hybrid financial instruments	234	318	248
Securitization bonds made by the Group	4,741	5,830	5,484
Other securities	-	-	-
Accrued interest and others (*)	1,865	1,515	4,288
In Foreign Currency -	**13,136**	**11,429**	**11,745**
Non-convertible bonds and debentures at floating interest rates	588	1,387	2,163
Non-convertible bonds and debentures at fixed interest rates	9,898	7,763	7,066
Mortgage Covered bonds	117	185	225
Hybrid financial instruments	1,945	1,514	1,550
Other securities associated to financial activities	-	-	-
Securitization bonds made by the Group	474	518	697
Other securities	-	-	-
Accrued interest and others (*)	114	62	44
Total	**57,026**	**62,802**	**75,099**

(*) Hedging operations and issuance costs.

Most of the foreign-currency issuances are denominated in US dollars.

The issues of senior debt by BBVA Senior Finance, S.A.U., BBVA U.S. Senior, S.A.U. and BBVA Global Finance, Ltd. are guaranteed jointly, severally and irrevocably by the Bank.

The following table shows the weighted average interest rates of fixed and floating rate bonds and debentures issued in euros and foreign currencies in effect in 2014, 2013 and 2012:

Interests Rates of Promissory Notes and Bills Issued	2014		2013		2012	
	Euros	Foreign Currency	Euros	Foreign Currency	Euros	Foreign Currency
Fixed rate	3.72%	4.83%	3.86%	4.46%	3.89%	5.87%
Floating rate	2.64%	4.19%	3.34%	3.49%	3.78%	4.29%

21.4 Subordinated liabilities

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

		Millions of Euros		
Subordinated Liabilities	**Notes**	**2014**	**2013**	**2012**
Convertible		2,735	1,088	1,238
Convertible perpetual securities		2,735	1,088	-
Convertible subordinated debt		-	-	1,238
Non-convertible		10,871	9,171	9,884
Preferred Stock		1,910	1,827	1,847
Other subordinated liabilities		8,961	7,344	8,021
Subtotal		**13,606**	**10,259**	**11,106**
Valuation adjustments and other concepts (*)		489	297	709
Total	21	**14,095**	**10,556**	**11,815**

(*) Includes accrued interest payable and valuation adjustment of hedging derivatives

Of the above, the issuances of BBVA International, Ltd., BBVA Capital Finance, S.A.U., BBVA International Preferred, S.A.U., BBVA Subordinated Capital, S.A.U., BBVA Global Finance, Ltd., Caixa de Manlleu Preferents, S.A. Unipersonal, Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal and CaixaSabadell Preferents, S.A. Unipersonal, are jointly, severally and irrevocably guaranteed by the Bank.

These issuances are non-convertible subordinated debt and accordingly, for debt seniority purposes, they rank behind ordinary debt, but ahead of the Bank's shareholders, respecting nonetheless any debtor ranking that may exist among them. The breakdown of this heading in the accompanying consolidated balance sheets, disregarding valuation adjustments, by currency of issuance and interest rate is shown in Appendix VI.

The balance variances are mainly due to the following transactions:

Contingent convertible securities

During 2014 and 2013 respectively, BBVA issued perpetual securities eventually convertible into ordinary shares of BBVA, (Additional level I capital instruments) without pre-emption rights, for a total amount of €1,500 million and $1,500 million (€1,235 million as of December 31, 2014). Both issuances were targeted only towards qualified foreign investors and in any case would not be made or subscribed in Spain or by Spanish-resident investors. These securities are listed in the Singapore Exchange Securities Trading Limited. These convertible perpetual securities are convertible into common shares if the trigger event occurs, that is, if BBVA's Common Equity Tier 1 capital ratio falls below 5.125%.

Conversion of subordinated bond issues

As of June 30, 2013, BBVA proceeded a mandatory conversion of the December 2011 convertible bonds outstanding. As of July 3, 2013, an increase in the Bank's common stock was carried out to satisfy the requirement of this conversion by the issue and distribution of 192,083,232 ordinary shares at a par value of 0,49€ each, amounting to a total of €94,120,783,68, with the share premium being €1,143,279,396.8640.

Preferred securities

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

	Millions of Euros		
Preferred Securities by Issuer	**2014**	**2013**	**2012**
BBVA International Preferred, S.A.U. (*)	1,750	1,666	1,695
Unnim Group (**)	109	109	95
BBVA Capital Finance, S.A.U. (***)	25	29	32
Phoenix Loan Holdings, Inc.	20	15	16
BBVA International, Ltd. (***)	7	8	9
Total	**1,910**	**1,827**	**1,847**

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

(**) Unnim Group: Issues prior to the acquisition by BBVA. As of December 31, 2014, the outstanding balance of these issues after the exchange of certain issues of preferred securities for BBVA shares carried out in October 2012.

(***) Issues traded on the AIAF market in Spain. As of December 31, 2014, the outstanding balances of these issues correspond to the holders of preferred securities who in December 2011 did not take part in the exchange of those preferred security issues for subordinated bonds.

These issues were fully subscribed by third parties outside the Group and are wholly or partially redeemable at the issuer company's option after five or ten years from the issue date, depending on the terms of each issue and with prior consent from the Bank of Spain.

Amortization of preferred securities

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

Other subordinated liabilities

Subordinated bonds

In April 2014 there was an issuance of subordinated bonds by BBVA Subordinated Capital, S.A.U. in an amount of €1,500 million and it is guaranteed jointly and irrevocably by BBVA and is listed in the London Stock Exchange.

Early expiration of subordinated debt

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

21.5 Other financial liabilities

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

	Millions of Euros		
Other financial liabilities	**2014**	**2013**	**2012**
Creditors for other financial liabilities	1,692	1,349	2,128
Collection accounts	2,402	2,750	2,513
Creditors for other payment obligations (*)	3,194	1,968	3,151
Total	**7,288**	**6,067**	**7,792**

(*) As of December 31, 2014, includes €69 million corresponding to the remuneration to shareholders who choose to be paid in cash through the "Dividend Option" paid on January 14, 2015.

22. Insurance and reinsurance contracts

The Group has insurance subsidiaries mainly in Spain and Latin America (mostly in Mexico). The main product offered by the insurance subsidiaries is life insurance to cover the risk of death (risk insurance) and life-savings insurance. Within life and accident insurance, a distinction is made between freely sold products and those offered to customers who have taken mortgage or consumer loans, which cover the principal of those loans in the event of the customer's death.

There are two types of life-saving insurance products: individual insurance, which seeks to provide the customer with savings for retirement or other events, and group insurance, which is taken out by employers to cover their commitments to their employees.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading "Liabilities under insurance contracts" in the accompanying consolidated balance sheets.

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

	Millions of Euros		
Liabilities under Insurance Contracts Technical Reserve and Provisions	**2014**	**2013**	**2012**
Mathematical reserves	9,352	8,816	7,951
Provision for unpaid claims reported	578	496	550
Provisions for unexpired risks and other provisions	530	522	519
Total	**10,460**	**9,834**	**9,020**

The cash flows of those liabilities under insurance contracts are shown below:

	Millions of Euros				
Maturity	**Up to 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Years**	**Total**
Liabilities under insurance contracts	1,046	1,444	1,517	6,452	10,460

The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are actuarial and financial methods and modeling techniques approved by the respective country's insurance regulator or supervisor. The most important insurance entities are located in Spain and Mexico (which together account for approximately 95% of the insurance revenues), where the modeling methods and techniques are reviewed by the insurance regulator in Spain (General Directorate of Insurance) and Mexico (National Insurance and Bonding Commission), respectively. The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are based on IFRS and primarily involve the valuation of the estimated future cash flows, discounted at the technical interest rate for each policy. To ensure this technical interest rate, asset-liability management is carried out, acquiring a portfolio of securities that generate the cash flows needed to cover the payment commitments assumed with the customers.

The table below shows the key assumptions used in the calculation of the mathematical reserves for insurance in Spain and Mexico, respectively:

MATHEMATICAL RESERVES	Mortality table		Average technical interest type	
	Spain	Mexico	Spain	Mexico
Individual life insurance (1)	GKM80/GKM95/ Own tables	Tables of the Comision Nacional De Seguros y Fianzas 2000-individual	0.3 - 3.6%	2.5%
Group insurance(2)	PERM/F2000NP	Tables of the Comision Nacional De Seguros y Fianzas 2000-group	1.7 - 4.5%	5.5%

(1) Provides coverage in the case of one or more of the following events: death and disability

(2) Insurance policies purchased by companies (other than Group BBVA entities) on behalf of their employees

The table below shows the mathematical reserves by type of product as of December 31, 2014, 2013 and 2012 (see Note 22):

Technical Reserves by type of insurance product	Millions of Euros 2014	2013	2012
Mathematical reserves	9,352	8,816	7,951
Individual life insurance (1)	6,916	5,695	4,777
Savings	6,498	4,907	3,996
Risk	418	788	781
Group insurance (2)	2,436	3,121	3,174
Savings	1,869	3,000	3,083
Risk	567	121	91
Provision for unpaid claims reported	578	496	550
Provisions for unexpired risks and other provisions	530	522	519
Total	**10,460**	**9,834**	**9,020**

(1) Provides coverage in the event of death or disability

(2) The insurance policies purchased by employers (other than BBVA Group) on behalf of its employees

The table below shows the contribution of each insurance product to the Group's income (see Note 42) in 2014 and 2013:

Revenues by type of insurance product	Millions of Euros 2014	2013	2012
Life insurance	599	549	610
Individual	272	303	434
Savings	67	52	41
Risk	205	251	392
Group insurance	327	247	175
Savings	90	62	11
Risk	237	185	164
Non-Life insurance	309	381	375
Home insurance	117	120	147
Other non-life insurance products	192	261	228
Total	**908**	**930**	**985**

The heading "Reinsurance assets" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of December 31, 2014, 2013 and 2012 the balance is €559, €619 million and €50 million, respectively.

23. Provisions

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, based on type of provisions, is as follows:

Provisions. Breakdown by concepts	Millions of Euros 2014	2013	2012
Provisions for pensions and similar obligations (Note 24)	5,970	5,512	5,777
Provisions for taxes and other legal contingencies	262	208	406
Provisions for contingent risks and commitments	381	346	322
Other provisions (*)	831	787	1,329
Total	**7,444**	**6,853**	**7,834**

(*) Provisions or contingencies that, individually, are not significant.

The changes in the heading "Provisions for contingent risks and commitments" in the accompanying consolidated balance sheets are presented in Note 7.3.8. together with the changes in impairment losses of other financial instruments.

The change in provisions for pensions and similar obligations for the years ended December 31, 2014, 2013 and 2012 is as follows:

Provisions for Pensions and Similar Obligations. Changes Over the Period	Notes	2014	2013	2012
		Millions of Euros		
Balance at the beginning		**5,512**	**5,777**	**5,577**
Add -				
Charges to income for the year		1,004	605	683
Interest expenses and similar charges	36.2	172	199	257
Personnel expenses	43.1	58	70	54
Provision expenses		774	336	373
Charges to equity (*)	24.2	497	12	462
Transfers and other changes		75	(65)	19
Less -				
Benefit payments		(854)	(817)	(813)
Employer contributions		(264)	-	(151)
Balance at the end		**5,970**	**5,512**	**5,777**

(*) Correspond to actuarial losses (gains) arising from certain defined-benefit post-employment pension commitments and other similar benefits recognized in "Equity" (See Note 2.2.12).

Provisions for Taxes, Legal Contingents and Other Provisions. Changes Over the Period	2014	2013	2012
	Millions of Euros		
Balance at beginning	**995**	**1,735**	**1,628**
Add -			
Charge to income for the year	387	344	245
Acquisition of subsidiaries	-	-	678
Transfers and other changes	-	-	-
Less -			
Available funds	(75)	(148)	(90)
Amount used and other variations	(214)	(880)	(720)
Disposal of subsidiaries	-	(56)	(6)
Balance at the end	**1,093**	**995**	**1,735**

Ongoing legal proceedings and litigation

Several entities of the Group are party to legal actions in a number of jurisdictions (including, among others, Spain, Mexico and the United States) arising in the ordinary course of business. According to the procedural status of these proceedings and the criteria of the legal counsel, BBVA considers that none of such actions is material, individually or in the aggregate, and none is expected to result in a material adverse effect on the Group's financial position, results of operations or liquidity, either individually or in the aggregate. The Group´s Management believes that adequate provisions have been made in respect of such legal proceedings and considers that the possible contingencies that may arise from such on-going lawsuits are not significant enough to require disclosure to the markets.

24. Pensions and other post-employment commitments

As stated in Note 2.2.12, the Group has assumed commitments with employees including defined contribution plans, defined benefit plans (see Glossary) and medical benefits.

Employees are covered by defined contribution plans in practically all of the countries in which the Group operates, with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees and with liabilities relating largely to inactive employees, the most significant being those in Spain, Mexico and the United States. In Mexico, the Group provides post-retirement medical benefits to a closed group of employees and their family members.

The breakdown of the balance sheet net defined benefit liability for financial years 2014, 2013 and 2012 is provided below:

	Millions of Euros		
Net Defined Benefit Liability (asset) on the Balance Sheet	**2014**	**2013**	**2012**
Pension commitments	4,737	4,266	4,463
Early retirement commitments	2,803	2,634	2,758
Medical benefits commitments	1,083	811	985
Total commitments	**8,622**	**7,711**	**8,205**
Pension plan assets	1,697	1,436	1,535
Early retirement plan assets	-	-	-
Medical benefit plan assets	1,240	938	895
Total plan assets	**2,937**	**2,374**	**2,430**
Total net liability / asset on the balance sheet	**5,685**	**5,337**	**5,775**
Of which:			
Net asset on the balance sheet (1)	**(285)**	**(175)**	**(2)**
Net liability on the balance sheet (2)	**5,970**	**5,512**	**5,777**

(1) Recorded under the heading "Other Assets - Other" of the consolidated balance sheet (See Note 21)

(2) Recorded under the heading "Provisions - Provisions for pensions and similar obligations" of the consolidated balance sheet (See Note 23)

The amounts relating to post-employment benefits charged to the profit and loss account and other comprehensive income for financial year 2014, 2013 and 2012 are as follows:

		Millions of Euros		
Consolidated Income Statement Impact	**Notes**	**2014**	**2013**	**2012**
Interest and similar expenses (*)	36.2	**172**	**199**	**256**
Interest expense		336	342	367
Interest income		(165)	(143)	(110)
Personnel expenses		**121**	**150**	**138**
Defined contribution plan expense	43.1	63	80	84
Defined benefit plan expense	43.1	58	70	54
Provisions (net)	45	**816**	**373**	**433**
Early retirement expense		681	336	276
Past service cost expense		(29)	6	17
Remeasurements (**)		93	-	97
Other provision expenses		71	31	43
Total impact on Income Statement: Debit (Credit)		**1,109**	**722**	**827**

(*) Interest and similar charges includes interest charges/credits.

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

The amounts relating to post-employment benefits charged to the balance sheet as of December 31, 2014, 2013 and 2012 are as follows:

		Millions of Euros		
Equity Impact	**Notes**	**2014**	**2013**	**2012**
Defined benefit plans		353	70	436
Post-employment medical benefits		144	(58)	26
Total impact on equity: Debit (Credit) (*)	**23**	**497**	**12**	**462**

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

24.1 Defined benefit plans

Defined benefit pension commitments relate mainly to employees who have already retired or taken early retirement from the Group, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. For the latter the Group pays the required premiums to fully insure the related liability. The change in these pension commitments during financial years 2014, 2013 and 2012 is presented below.

	Millions of Euros								
	2014			2013			2012		
Pension Commitments	**Defined Benefit Obligation**	**Plan Assets**	**Net Liability (asset)**	**Defined Benefit Obligation**	**Plan Assets**	**Net Liability (asset)**	**Defined Benefit Obligation**	**Plan Assets**	**Net Liability (asset)**
Balance at the begining	7,329	**1,990**	**5,340**	**7,817**	**2,042**	**5,775**	**7,301**	**1,743**	**5,558**
Current service cost	58	-	58	70	-	70	54	1	53
Interest income or expense	336	165	172	342	143	199	354	124	229
Contributions by plan participants	1	1	-	1	1	-	-	-	-
Employer contributions	-	264	(264)	-	256	(256)	0	6	(5)
Past service costs (1)	652	-	652	342	-	342	276	-	276
Return on plan assets (2)	-	178	(178)	-	(286)	286	-	136	(136)
Remeasurements arising from changes in demographic assumptions	31	-	31	3	-	3	-	-	-
Remeasurements arising from changes in financial assumptions	724	-	724	(289)	-	(289)	533	25	508
Other actuarial gain and losses	13	-	13	4	-	4	48	-	48
Benefit payments	(940)	(86)	(854)	(888)	(70)	(817)	(881)	(68)	(813)
Settlement payments	-	-	-	(1)	(1)	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	65	-	65
Effect on changes in foreign exchange rates	43	53	(10)	(121)	(93)	(29)	55	57	(2)
Other effects	(8)	(10)	2	48	-	48	11	18	(7)
Balance at the end	**8,240**	**2,555**	**5,687**	**7,327**	**1,990**	**5,337**	**7,817**	**2,042**	**5,775**
Of which									
Spain	5,830	-	5,830	5,393	-	5,393	5,620	-	5,620
Mexico	1,643	1,908	(266)	1,313	1,490	(177)	1,543	1,502	41
The United States	362	324	38	276	244	32	313	293	20

(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 - Provisions for pensions and similar obligations" of the accompanying consolidated balance sheet as of December 31, 2014 includes €280 million relating to post-employment benefit commitments of former members of the Board of Directors and the Bank's Management Committee.

The most significant commitments are those in Spain and Mexico and, to a lesser extent, in the United States. The remaining commitments are located mostly in Portugal and South America. Unless otherwise required by local regulation, all defined plans have been closed to new entrants, who instead are able to participate in the Group´s defined contribution plans. We include a detailed breakdown for Spain, México and the United States which, in aggregate, account for approximately 95% of the total commitments.

In order to guarantee the good governance of these systems the Group has established specific Benefits Committees. These committees include members from the different areas of the business to ensure that all decisions are made taking into consideration all of the associated impacts. Both the costs and the present value of the commitments are determined by independent qualified actuaries using the "projected unit credit" method.

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

	2014			2013			2012		
Actuarial Assumptions	**Spain**	**Mexico**	**USA**	**Spain**	**Mexico**	**USA**	**Spain**	**Mexico**	**USA**
Discount rate	2.25%	8.75%	3.97%	3.50%	9.49%	4.86%	3.50%	8.20%	4.03%
Rate of salary increase	2.00%	4.75%	3.25%	3.00%	4.75%	3.25%	3.00%	4.75%	3.50%
Rate of pension increase		2.13%	2.25%		2.13%			2.13%	
Medical cost trend rate		6.75%	8.00%		6.75%			6.75%	
Mortality tables	PERM/F 2000P	EMSSA 97	RP 2014	PERM/F 2000P	EMSSA 97	RP 2000 Projected & adjusted	PERM/F 2000P	EMSSA 97	RP 2000 Projected & adjusted

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

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

Assumed retirement ages have been set by reference to the earliest age at which employees are entitled to retire, the contractually agreed age in the case of early retirements in Spain or by using retirement rates.

Changes in the main actuarial assumptions may affect the valuation of the commitments. The table below shows the sensitivity of the benefit obligations to changes in the key assumptions:

		Millions of Euros 2014		Millions of Euros 2013	
Sensitivity Analysis	**Basis points change**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate	50	(328)	360	(275)	301
Rate of salary increase	50	10	(10)	17	(17)
Rate of pension increase	50	17	(16)	16	(15)
Medical cost trend rate	100	201	(159)	148	(118)
longevity		126		87	

The sensitivities provided above have been determined at the date of these consolidated financial statements, and reflect solely the impact of changing one individual assumption at a time, keeping the rest of the assumptions unchanged, thereby excluding the effects which may result from combined assumption changes.

In addition to the commitments to employees shown above, the Group has other less material commitments. These include long-service awards, which consist of either an established monetary award or some vacation days granted to certain groups of employees when they complete a given number of years of service. As of December 31, 2014, 2013 and 2012 the actuarial liabilities for the outstanding awards amounted to €45, €47 million and €50 million, respectively. These commitments are recorded under the heading "Other provisions" of the accompanying consolidated balance sheet (see Note 23).

As described above, the Group maintains both pension and medical benefit commitments with their employees. Further details are provided below on each of these.

Pension commitments

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

In addition, during 2014, Group entities in Spain offered certain employees the option to take early retirement (that is, earlier than the age stipulated in the collective labor agreement in force). This offer was accepted by 1,706 employees (1,055 and 633 in 2013 and 2012 respectively). These commitments include both the liability for the benefit payments due as well as the contributions payable to external pension funds during the early retirement period. As at 31 December 2014, 2013 and 2012 the value of these commitments amounted to €2,803, €2,634 and €2,758 million respectively.

The change in the defined benefit plan obligations and plan assets during financial year 2014 was as follows:

	Millions of Euros								
	Defined Benefit Obligation			Plan Assets			Net Liability (asset)		
2014	Spain	Mexico	USA	Spain	Mexico	USA	Spain	Mexico	USA
Balance at the begining	**5,395**	**514**	**276**	**-**	**552**	**244**	**5,395**	**(38)**	**32**
Current service cost	18	7	5	-	-	-	18	7	5
Interest income or expense	169	48	14	-	52	12	169	(3)	2
Contributions by plan participants	-	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	72	2	-	(72)	(2)
Past service costs (1)	683	-	(20)	-	-	-	683	-	(20)
Return on plan assets (2)	-	-	-	-	27	47	-	(27)	(47)
Remeasurements arising from changes in demographic assumptions	-	1	31	-	-	-	-	1	31
Remeasurements arising from changes in financial assumptions	398	38	39	-	-	-	398	38	39
Other actuarial gain and losses	(4)	-	(3)	-	-	-	(4)	-	(3)
Benefit payments	(847)	(40)	(12)	-	(40)	(9)	(847)	-	(3)
Settlement payments	-	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	1	5	38	-	6	32	1	-	6
Other effects	17	-	(4)	-	-	(4)	17	-	(1)
Balance at the end	**5,830**	**574**	**362**	**-**	**668**	**324**	**5,830**	**(95)**	**38**
Of which									
Vested benefit obligation relating to current employees	221						221		
Vested benefit obligation relating to retired employees	5,609						5,609		

(1) Including gains and losses arising from settlements.

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

The change in net defined benefit plan liabilities (assets) during financial years 2013 and 2012 was as follows:

	Millions of Euros					
	2013: Net liability (asset)			2012: Net liability (asset)		
	Spain	Mexico	USA	Spain	Mexico	USA
Balance at the begining	**5,620**	**(33)**	**20**	**5,502**	**(29)**	**2**
Current service cost	20	9	5	12	8	6
Interest income or expense	178	(3)	1	224	(3)	-
Contributions by plan participants	-	-	-	-	-	-
Employer contributions	-	(64)	-	-	(1)	-
Past service costs (1)	337	-	-	256	(11)	-
Return on plan assets (2)	-	98	43	-	(49)	(5)
Remeasurements arising from changes in demographic assumptions	-	-	3	-	-	-
Remeasurements arising from changes in financial assumptions	-	(59)	(34)	362	29	13
Other actuarial gain and losses	(4)	14	(2)	-	24	8
Benefit payments	(807)	(1)	(2)	(801)	-	(3)
Settlement payments	-	-	-	-	-	-
Business combinations and disposals	-	-	-	65	-	-
Effect on changes in foreign exchange rates	-	1	(1)	-	(1)	0
Other effects	49	-	(2)	-	-	(1)
Balance at the end	**5,393**	**(38)**	**32**	**5,620**	**(33)**	**20**
Of which						
Vested benefit obligation relating to current employees	213	-	-	216	-	-
Vested benefit obligation relating to retired employees	5,180	-	-	5,403	-	-

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 insurance policies meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant part of the insurance contracts are held with BBVA Seguros, S.A. – a related party consolidated within the BBVA Group financial statements – and consequently these policies cannot be considered plan assets under IAS 19. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Provisions for pensions and similar obligations" of the accompanying consolidated balance sheet (see Note 23), whereas the assets held by the insurance company are all included within the Group´s consolidated assets (registered according to the classification of the corresponding financial instruments). As at 31 December 2014 the value of these separate assets was €2,751 million, representing direct rights of the insured employees held in the consolidated balance sheet, hence these benefits are effectively fully funded,

On the other hand, some pension commitments have been funded through insurance contracts held with insurance companies not related to the Group, and can therefore be considered qualifying insurance policies and plan assets under IAS 19. In this case the accompanying consolidated balance sheet reflects the value of the obligations net of the value of the qualifying insurance policies. As of December 31, 2014, 2013 and 2012, the valuation of the aforementioned insurance contracts (€382, €385 and €389 million, respectively) exactly match the value of the corresponding obligations and therefore no amount for this item has been recorded in the accompanying consolidated balance sheet.

Pensions are paid by the insurance companies with whom BBVA has effected the insurance contracts and to whom all insurance premiums have been paid. The premiums are determined by the insurer using "cash flow matching" techniques to ensure that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

In Mexico, there is a defined benefit plan for employees hired prior to 2001. Other employees participate in a defined contribution plan. External funds/trusts have been constituted locally to meet benefit payments as required by local regulation.

In The United States there are mainly two defined benefit plans, both closed to new employees, who instead are able to join a defined contribution plan. External funds/trusts have been constituted locally to fund the plans, as required by local regulation.

Medical benefit commitments

In Mexico there is a medical benefit plan for employees hired prior to 2007. New employees from 2007 are covered by medical insurance policy. An external trust has been constituted locally to fund the plan, in accordance with local legislation and Group policy. The change in medical plan obligations and plan assets during financial year 2014 was as follows:

	Millions of Euros								
	2014			2013			2012		
Medical Benefits Commitments	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined Benefit Obligation	Plan assets	Net liability (asset)
Balance at the begining	**799**	**938**	**(140)**	**970**	**895**	**75**	**761**	**732**	**29**
Current service cost	23	-	23	30	-	30	26	-	26
Interest income or expense	76	90	(14)	79	75	4	70	69	1
Contributions by plan participants	-	-	-	-	-	-	-	-	-
Employer contributions	-	183	(183)	-	186	(186)	-	2	(2)
Past service costs (1)	-	-	-	-	-	-	(7)	-	(7)
Return on plan assets (2)	-	46	(46)	-	(140)	140	-	82	(82)
Remeasurements arising from changes in demographic assumptions	-	-	-	-	-	-	-	-	-
Remeasurements arising from changes in financial assumptions	181	-	181	(195)	-	(195)	92	-	92
Other actuarial gain and losses	10	-	10	(2)	-	(2)	16	-	16
Benefit payments	(28)	(28)	-	(28)	(28)	-	(26)	(26)	-
Settlement payments	-	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	8	10	(2)	(54)	(49)	(6)	38	37	1
Other effects	0	1	(1)	(1)	(1)	-	-	-	-
Balance at the end	**1,069**	**1,240**	**(171)**	**799**	**938**	**(140)**	**970**	**895**	**75**

(1) Including gains and losses arising from settlements.

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

The valuation of these benefits and their accounting treatment in the accompanying consolidated financial statements follow the same methodology as that employed in the valuation of pension commitments.

Estimated benefit payments

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

	Millions of Euros					
Estimated Benefit Payments	**2015**	**2016**	**2017**	**2018**	**2019**	**2020-2024**
Commitments in Spain	824	742	663	577	496	1,447
Commitments in Mexico	78	80	86	93	99	583
Commitments in The United States	13	13	14	15	16	94
Total	**915**	**835**	**763**	**685**	**611**	**2,124**

Plan assets

The majority of the Group´s defined benefit plans are funded by plan assets held in external funds/trusts legally separate from the Group sponsoring entity. However, in accordance with local regulation, some commitments are funded through internally held provisions, principally those relating to early retirements in Spain.

Plan assets are those assets which will be used to directly settle the assumed commitments and which meet the following conditions: they are not part of the Group sponsoring entity´s assets, they are available only to pay post-employment benefits and they cannot be returned to the Group sponsoring entity.

To manage the assets associated with defined benefit plans, BBVA Group has established investment policies designed according to criteria of prudence and minimizing the financial risks associated with plan assets.

The investment policy consists of investing in a low risk and diversified portfolio of assets with maturities consistent with the term of the benefit obligation and which, together with contributions made to the plan, will be sufficient to meet benefit payments when due, thus mitigating the plans' risks.

In those countries where plan assets are held in pension funds or trusts, the investment policy is developed consistently with local regulation. When selecting specific assets, current market conditions, the risk profile of the assets and their future market outlook are all taken into consideration. In all the cases, the selection of assets takes into consideration the term of the benefit obligations as well as short-term liquidity requirements.

The risks associated with these commitments are those which give rise to a deficit in the defined benefit plan. A deficit could arise from factors such as a fall in the market value of investments, an increase in long-term interest rates leading to a decrease in the value of fixed income securities, or a deterioration of the economy resulting in more write-downs and credit rating downgrades.

The table below shows the allocation plan assets as of December 31, 2014:

	Millions of Euros
Plan Assets Breakdown	**2014**
Cash or cash equivalents	68
Other debt securities (Goverment bonds)	2,076
Mutual funds	1
Asset-backed securities	88
Insurance contracts	382
Total	**2,615**
Of which:	
Debt securities issued by BBVA	3

The following table provides details of investments in quoted markets (Level 1) during financial year 2014:

	Millions of Euros
Investments in quoted markets	**2014**
Cash or cash equivalents	68
Other debt securities (Goverment bonds)	2,076
Mutual funds	1
Asset-backed securities	88
Total	**2,233**
Of which:	
Debt securities issued by BBVA	3

The remainder of the assets are invested in Level 2 assets in in accordance with the classification established under IFRS 13 (mainly insurance contracts).

As at 31 December 2013 and 2012 the plan assets covering these commitments were almost entirely made up of fixed-income securities.

During 2015 the Group expects to make contributions to the plans similar to the actual contributions made during 2014.

24.1 Defined contribution commitments

Certain Group entities sponsor defined contribution plans. Some of these plans allow employees to make contributions which are then matched by the employer.

Contributions are recognized as and when they are accrued, with a charge to the consolidated income statement in the corresponding financial year. No liability is therefore recognized in the accompanying consolidated balance sheet (See Note 43.1).

25. Common stock

As of December 31, 2014, BBVA's share capital amounted to €3,023,956,105.55 divided into 6,171,338,995 shares. As a result of the increase carried out on January 14, 2015, due to the execution of the third of the capital increase described in this Note, BBVA's share capital amounted to €3,050,212,729.62 divided into 6,224,923,938 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entry accounts. All of the Bank shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

The Bank's shares are traded on the Spanish stock market, as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange are also traded on the Lima Stock Exchange (Peru), under an exchange agreement between these two markets.

Also, as of December 31, 2014, the shares of BBVA Banco Continental, S.A., Banco Provincial S.A., BBVA Colombia, S.A., BBVA Chile, S.A., and BBVA Banco Frances, S.A. were listed on their respective local stock markets. BBVA Banco Frances, S.A. is also listed on the Latin American market of the Madrid Stock Exchange and on the New York Stock Exchange.

As of December 31, 2014, State Street Bank and Trust Co., The Bank of New York Mellon SA NV and Chase Nominees Ltd in their capacity as international custodian/depositary banks, held 11.65%, 7.46%, and 5.84% 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 February 4, 2010, the Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, as a result of the acquisition (on December 1, 2009) of the Barclays Global Investors (BGI) company, it now has an indirect holding of BBVA common stock totaling 4.453% through the Blackrock Investment Management Company.

On February 4, 2010, the Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, as a result of the acquisition (on December 1, 2009) of the Barclays Global Investors (BGI) company, it now has an indirect holding of BBVA common stock totaling 4.453% through the Blackrock Investment Management Company.

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.

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

Capital Increase	Number of Shares	Common Stock (Millions of Euros)
As of December 31, 2012	**5,448,849,545**	**2,670**
Dividend option - April 2013	83,393,714	41
Convertible bonds conversion - July 2013	192,083,232	94
Dividend option - October 2013	61,627,952	30
As of December 31, 2013	**5,785,954,443**	**2,835**
Dividend option - April 2014	101,214,267	50
Dividend option - October 2014	41,746,041	20
Capital increase - November 2014	242,424,244	119
As of December 31, 2014	**6,171,338,995**	**3,024**

2014

"Dividend Option" Program:

The AGM held on March 14, 2014 under Point Four of the Agenda, resolved to perform four common stock increases, charged to voluntary reserves, to once again implement the program called the "Dividend Option" (see Note 4), pursuant to article 297.1 a) of the Corporations Act, delegating in the Board of Directors the ability to indicate the date on which said common stock increases should be carried out, within one year of the date on which the agreements are made.

On March 26, 2014, the Board of Directors of BBVA approved the execution of the first of the capital increases charged to reserves agreed by the aforementioned AGM. As a result of this increase, the Bank's common stock increased by €49,594,990.83 through the issue and circulation of 101,214,267 shares with a €0.49 par value each.

Likewise, on September 24, 2014, Board of Directors of BBVA approved the execution of the second of the capital increases charged to reserves agreed by the aforementioned AGM of March 14, 2014. As a result of this increase, the Bank's common stock increased by €20,455,560.09 through the issue and circulation of 41,746,041 ordinary shares with a €0.49 par value each (see Note 4).

Similarly, on December 17, 2014, Board of Directors of BBVA approved the execution of the third of the capital increases charged to reserves agreed by the aforementioned AGM. As of January 15, 2015, the Bank's common stock increased by €26,256,622.07 through the issue and circulation of 53,584,943 ordinary shares with a €0.49 par value each, of the same class and series as the shares currently in circulation, without issuance premium and represented by book entries. As a result of this increase, the Bank's common stock reached €3,050,212,729.62 divided into 6,224,923,938 registered shares, all of the same class and series, at €0.49 par value each, represented through book-entry accounts.

Capital increase

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

On November 20, 2014, the capital increase finished with a total par value of €118,787,879.56 through the issue of 242,424,244 shares of BBVA, each with a par value of forty-nine euro cents (€0.49), of the same class and series as the shares currently in circulation and represented by book entries. The subscription price of these new shares was determined to be €8.25 per share. Therefore, the total effective amount of the Capital Increase was of €2,000,000,013 corresponding €118,787,879.56 to par value and €1,881,212,133.44 to share premium (see Note 26).

2013

"Dividend Option" Program:

The AGM held on March 15, 2013 under Point Four of the Agenda, resolved to perform two common stock increases, charged to voluntary reserves, to implement the "Dividend Option" program. This confers authority on the Board of Directors, pursuant to article 297.1 a) of the Corporations Act, to indicate the date on which said common stock increases should be carried out, within one year of the date on which the agreements are made (see Note 4).

On April 3, 2013, the Executive Committee approved the execution of the first of the capital increases charged to reserves agreed by the aforementioned AGM. As a result of this increase, the Bank's common stock increased by €40,862,919.86 through the issue and circulation of 83,393,714 shares with a €0.49 par value each. Likewise, on September 25, 2013, the Executive Committee approved the execution of the second of the capital increases charged to reserves agreed by the aforementioned AGM on March 15, 2013. As a result of this increase, the Bank's common stock increased by €30,197,696.48 through the issue and circulation of 61,627,952 shares with a €0.49 par value each.

Convertible Bonds-December 2011:

On June 30, 2013, the maturity date of the issue, there was a mandatory conversion of the outstanding Convertible Bonds as of that date. An increase in the Bank's common stock was carried out to satisfy the shares to be issued upon conversion by the issue and distribution of 192,083,232 ordinary shares at a par value of €0.49 each, amounting to a total of €94,120,783.68, with the share premium being €1,143,279,396.8640 (see Note 26).

Other resolutions of the General Shareholders Meeting on the issue of shares and other securities

Common stock increases:

The Bank's AGM held on March 14, 2014 agreed, in point Four of the Agenda, section 4.4, a common stock increase charge to reserves through the issue and circulation of new ordinary shares with a €0.49 par value each, without share premium, which as of December 31, 2014 was not executed. This agreement is valid until March 13, 2015.

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

Convertible and/or exchangeable securities:

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

Other securities:

The Bank's AGM held on March 11, 2011, in Point Six of the agenda, agreed to delegate to the Board of Directors, the authority to issue, within the five-year maximum period stipulated by law, on one or several occasions, directly or through subsidiaries, with the full guarantee of the Bank, any type of debt instruments, documented in obligations, bonds of any kind, promissory notes, all type of covered bonds, warrants, mortgage participation, mortgage transfers certificates and preferred securities (that are totally or partially exchangeable for shares already issued by the company itself or by another company, in the market or which can be settled in cash), or any other fixed-income securities, in euros or any other currency, that can be subscribed in cash or in kind, registered or bearer, unsecured or secured by any kind of collateral, including a mortgage guarantee, with or without incorporation of rights to the securities (warrants), subordinate or otherwise, for a limited or indefinite period of time, up to a maximum nominal amount of €250 billion.

26. Share premium

The changes in the balances under this heading in the accompanying consolidated balance sheets are due to the common stock increases carried out in 2014 and 2013 (see Note 25), as set out below:

	Millions of Euros
Capital Increase	**Share premium**
As of December 31, 2012	**20,968**
Convertible bonds conversion - July 2013	1,143
As of December 31, 2013	**22,111**
Capital increase - November 2014	1,881
As of December 31, 2014	**23,992**

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.

27. Reserves

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

		Millions of Euros		
Reserves. Breakdown by concepts	**Notes**	**2014**	**2013**	**2012**
Legal reserve	27.1	567	534	481
Restricted reserve for retired capital	27.2	268	296	387
Reserves for balance revaluations		23	26	27
Voluntary reserves		6,784	6,387	6,013
Total reserves holding company (*)		7,642	7,243	6,908
Consolidation reserves attributed to the Bank and dependents consolidated companies.		13,294	12,524	12,623
Total Reserves		**20,936**	**19,767**	**19,531**

(*) Total reserves of BBVA, S.A. (See Appendix IX).

27.1 Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. These provisions must be made until the legal reserve reaches 20% of the share capital.

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.

27.2 Restricted reserves

As of December 31, 2014, 2013 and 2012, the Bank's restricted reserves are as follows:

	Millions of Euros		
Restricted Reserves	**2014**	**2013**	**2012**
Restricted reserve for retired capital	88	88	88
Restricted reserve for Parent Company shares and loans for those shares	178	206	297
Restricted reserve for redenomination of capital in euros	2	2	2
Total	**268**	**296**	**387**

The restricted reserve for retired capital originated in the reduction of the nominal par value of the BBVA shares made in April 2000.

The most significant heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the Bank's shares.

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

27.3 Reserves (losses) by entity

The breakdown, by company or corporate group, under the heading "Reserves" in the accompanying consolidated balance sheets is as follows:

	Millions of Euros		
Reserves Assigned to the Consolidation Process	**2014**	**2013**	**2012**
Accumulated reserves (losses)			
Holding Company (*)	11,604	11,972	9,969
BBVA Bancomer Group	7,564	6,275	5,589
BBVA Seguros, S.A.	1,727	1,561	1,447
Corporacion General Financiera, S.A.	746	605	1,118
BBVA Banco Provincial Group	1,592	1,231	906
BBVA Chile Group	1,045	959	873
Compañía de Cartera e Inversiones, S.A.	(15)	(28)	438
Anida Grupo Inmobiliario, S.L.	339	381	375
BBVA Suiza, S.A.	(17)	313	294
BBVA Continental Group	437	335	256
BBVA Luxinvest, S.A.	467	263	230
BBVA Colombia Group	492	315	79
BBVA Banco Francés Group	439	242	65
Banco Industrial De Bilbao, S.A.	43	(4)	35
Uno-E Bank, S.A.	(64)	15	(84)
Gran Jorge Juan, S.A.	(45)	(4)	(38)
BBVA Portugal Group	(519)	(357)	(177)
Participaciones Arenal, S.L.	(180)	(180)	(180)
BBVA Propiedad S.A.	(342)	(267)	(233)
Anida Operaciones Singulares, S.L.	(1,536)	(1,224)	(850)
Grupo BBVA USA Bancshares	(1,811)	(1,305)	(1,652)
Unnim Real Estate	(1,651)	(1,675)	15
Bilbao Vizcaya Holding S.A	70	63	51
Finanzia Autorenting, S.A.	(30)	(36)	(46)
Other	(51)	(134)	100
Subtotal	20,304	19,317	18,580
Reserves (losses) of entities accounted for using the equity method:			
Citic International.Financial Holdings Limited (**)	197	124	859
Garanti Turkiye Bankasi Group	609	379	127
Metrovacesa	(68)	(30)	-
Tubos Reunidos, S.A.(***)	-	53	50
Occidental Hoteles Management, S.L.(**)	(94)	(93)	(91)
Other	(11)	18	6
Subtotal	633	450	951
Total Reserves	**20,936**	**19,767**	**19,531**

(*) Corresponds to the reserve of the Bank after adjustments made through the consolidation process.
(**) Reclassified during 2014 to "Non-current assets available for sale" (Note 15).
(***) Reclassified during 2014 to "Available for sale financial assets" (Note 16).

For the purpose of allocating the reserves and accumulated losses to the consolidated entities and to the parent company, the transfers of reserves arising from the dividends paid and transactions between these entities are taken into account in the period in which they took place.

28. Treasury stock

In the year ended December 31, 2014, 2013 and 2012 the Group entities performed the following transactions with shares issued by the Bank:

Treasury Stock	2014		2013		2012	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	**6,876,770**	**66**	**15,462,936**	**111**	**46,398,183**	**300**
+ Purchases	425,390,265	3,770	488,985,513	3,614	819,289,736	4,831
- Sales and other changes	(390,756,337)	(3,484)	(497,571,679)	(3,658)	(850,224,983)	(5,021)
+/- Derivatives on BBVA shares	-	(3)	-	-	-	1
+/- Other changes	-	-	-	(1)	-	-
Balance at the end	**41,510,698**	**350**	**6,876,770**	**66**	**15,462,936**	**111**
Of which:						
Held by BBVA, S.A.	5,001,897	46	1,357,669	20	4,508,380	41
Held by Corporación General Financiera, S.A.	36,480,861	304	5,491,697	46	10,870,987	70
Held by other subsidiaries	27,940	-	27,404	-	83,569	-
Average purchase price in Euros	8.86		7.39		5.90	
Average selling price in Euros	8.94		7.44		6.04	
Net gain or losses on transactions (Stockholders' funds-Reserves)		5		30		81

The percentages of treasury stock held by the Group in the year ended December 31, 2014, 2013 and 2012 are as follows:

Treasury Stock	2014		2013		2012	
	Min	Max	Min	Max	Min	Max
% treasury stock	**0.000%**	**0.699%**	**0.000%**	**0.718%**	**0.240%**	**1.886%**

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2014, 2013 and 2012 is as follows:

Shares of BBVA Accepted in Pledge	2014	2013	2012
Number of shares in pledge	97,795,984	111,627,466	132,675,070
Nominal value	0.49	0.49	0.49
% of share capital	1.58%	1.93%	2.43%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2014, 2013 and 2012 is as follows:

Shares of BBVA Owned by Third Parties but Managed by the Group	2014	2013	2012
Number of shares owned by third parties	101,425,692	101,184,985	109,348,019
Nominal value	0.49	0.49	0.49
% of share capital	1.64%	1.75%	2.01%

29. Valuation adjustments

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

		Millions of Euros		
Valuation Adjustments	**Notes**	**2014**	**2013**	**2012**
Available-for-sale financial assets	12.4	3,816	851	(238)
Cash flow hedging		(46)	8	36
Hedging of net investments in foreign transactions		(373)	(100)	(243)
Exchange differences		(2,173)	(3,023)	(1,164)
Non-current assets held for sale		-	3	(104)
Entities accounted for using the equity method		(796)	(1,130)	(24)
Other valuation adjustments (Remeasurements)		(776)	(440)	(447)
Total		**(348)**	**(3,831)**	**(2,184)**

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

Changes in 2014 in the table above are due mainly to positive market growth focused within "Non-current assets held for sale".

Within exchange differences, the exchange rate used for the Venezuelan currency in 2014 is the SICAR I rate, while the 2013 exchange rate was the official rate.

30. Non-controlling interests

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

	Millions of Euros		
Non-Controlling Interest	**2014**	**2013**	**2012**
BBVA Colombia Group	59	54	51
BBVA Chile Group	347	307	495
BBVA Banco Continental Group	839	691	697
BBVA Banco Provincial Group	958	1,041	883
BBVA Banco Francés Group	230	188	190
Other companies	78	90	56
Total	**2,511**	**2,371**	**2,372**

These amounts are broken down by groups of consolidated entities under the heading "Profit attributable to non-controlling interests" in the accompanying consolidated income statements:

	Millions of Euros		
Profit attributable to Non-Controlling Interests	**2014**	**2013**	**2012**
BBVA Colombia Group	11	13	13
BBVA Chile Group	53	83	100
BBVA Banco Continental Group	195	268	209
BBVA Banco Provincial Group	131	295	265
BBVA Banco Francés Group	65	64	58
Other companies	9	30	6
Total	**464**	**753**	**651**

Dividends distributed to non-controlling interests of the Group during 2014 are: BBVA Banco Provincial €116 million, BBVA Banco Continental €90 million, BBVA Chile €16 million, BBVA Colombia €4 million and other Spanish entities accounted for €14 million.

31. Capital base and capital management

Capital base

Up to December 31, 2013, Bank of Spain Circular 3/2008 of May 22 on determination and control of minimum capital base, regulated capital requirements for Spanish financial institutions, both individual and consolidated entities.

On June 27, 2013 the European Union Official Bulletin published a new regulation on capital requirements (CRDIV) that came into effect on January 1, 2014 and made up of:

- Directive 2013/36/UE, of June 26 of the European Parliament on access to credit institution and investment firm activities and on prudential supervision credit institutions and investment firms. This regulation modifies Directive 2002/87/CE and revokes directives 2006/48/CE and 2006/49/CE; and
- Regulation (UE) Nº UE 575/2013 of June 26 of the European Parliament on prudential requirements on credit institutions and investment firms. This regulation modifies regulation (UE) Nº 648/2012

These directives require the adoption by a national law while the regulation is effective directly.

In Spain, Royal Decree Law 14/2013 of November 29, on urgent measures to adapt Spanish Law to the European Union regulation on supervision and solvency of financial institutions, partially adapted the European regulation (Directive 2013/36/UE) to Spanish Law and allowed Bank of Spain, through its fifth clause, to exercise the use of options available to domestic regulating authorities in regulation UE 575/2013.

This regulation came into effect on January 1, 2014. From this date on, any clauses from the previous regulation (Circular 3/2008 of Bank of Spain) that oppose the new European regulation were revoked. Additionally, on February 5, 2014, Bank of Spain Circular 2/2014 of January 31 was published so that, in accordance with Regulation Nº 575/2013 that grants domestic authorities certain capacities, Bank of Spain could make use of some of the permanent regulatory options of said regulation.

Also, Law 10/2014, of June 26, of organization, supervision and solvency of credit institutions, has continued with the adaptation of CRD-IV to the legal Spanish regulatory framework.

All of the above represents the current regulation on minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated groups– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

The minimum capital base requirements established by the current regulation are calculated according to the Group's exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, the Group must fulfill the risk concentration limits established in said regulation and the internal Corporate Governance obligations.

The Group's bank capital in accordance with the aforementioned applicable regulation, considering entities scope required by the above regulation, as of December 31, 2014, 2013 and 2012 is shown below: (please note that the information for the latter period has been adapted to the new presentation format for comparison purposes):

Capital Base	2014 (*)	2013	2012
	Millions of Euros		
Common Equity Tier 1 Capital	**41,937**	**35,825**	**33,757**
Common Stock	3,024	2,835	2,670
Parent company reserves	42,406	41,371	38,149
Reserves in consolidated companies	(1,204)	(3,380)	1,042
Non-controlling interests	1,992	2,069	2,025
Convertible securities	-	-	1,238
Deductions (Goodwill and others)	(6,152)	(8,534)	(11,702)
Attributed net income (less dividends)	1,871	1,464	335
Aditional Tier 1 Capital	**-**	**2,119**	**-**
Preferred securities and contingent convertible securities	4,205	2,905	1,836
Deductions and others	(4,205)	(786)	(1,836)
Tier 1 Capital	**41,937**	**37,944**	**33,757**
Tier 2 Capital	**11,046**	**4,515**	**4,461**
Other deductions		**(786)**	**(2,636)**
Total Equity	**52,983**	**41,673**	**35,582**
Minimum equity required	**28,047**	**25,871**	**36,858**

(*) Provisional data

The comparison of the amounts as of December 31, 2014 with respect to the amounts as of December 31, 2013 is affected by the differences between the existing regulations on both periods.

Changes during the year 2014 in the amount of Tier 1 capital in the table above are mainly due to the accumulated profit net dividends until December, the capital increase mentioned in Note 25 and also reissuing contingent convertible perpetual securities (see Note 21.4). This increase was partially offset by new deductions that entered into force on January 1, 2014 mainly equity adjustment for prudent valuation, certain indirect or synthetic positions of treasury shares, interests in significant financial institutions, deferred tax assets and the lowest computability of certain elements (minority interests, preferred shares).

The Tier 2 capital increase is mainly due to movements in other subordinated liabilities (see Note 21.4).

With regard to minimum capital requirements, the increase is mainly due to the different criteria applied with regard to computing requirements according to CRR (new requirements such as adjustments for Credit Valuation Adjustment (CVA) for deferred tax assets or significant stakes in financial institutions in the amount not deducted, etc.) and increased activity in the Group's units, mainly outside Europe.

The comparison of the amounts as of December 31, 2014 with respect to the amounts as of December 31, 2013 is affected by the differences between the existing regulations on both periods.

A reconciliation of net equity and regulatory capital is provides below:

	Millions of Euros
Eligible capital resources	**Reconciliation of shareholders' equity with regulatory capital**
Capital	3,024
Share premium	23,992
Reserves	20,936
Other equity instruments	67
Own shares in portfolio	(350)
Attributable net income	2,618
Attributable dividend	(841)
Shareholders' equity (Public Balance sheet)	**49,446**
Valuation adjustments	(348)
Non-controlling interests	2,511
Total Equity (Public Balance sheet)	**51,609**
Shares and other elegible preferred securities	**4,205**
Goodwill and other and other intangible assets	(1,748)
Funding Treasury stock	(124)
Deductions	**(1,872)**
Valuation adjustments not eligible as basic capital	(3,567)
Capital gains from the Available for sale fixed-income portfolio	(2,713)
Capital gains from the Available-for-sale equity portfolio	(854)
Exchange-rate variations non-current assets held for sale	
Valuation adjustments not eligible as basic capital (non-controlling interests)	(14)
Non-controlling interests valuation adjustments	(14)
Other deductions	(126)
Equity not eligible at solvency level	**(3,707)**
Other ajustments	**(1,308)**
Tier 1 (before deductions)	**48,927**
(-) Deductions 50% Tier 1	**(6,990)**
Tier 1	**41,937**

The amounts of goodwill and intangible assets that are deducted are calculated based on the timelines for implementation for this deduction which, in 2014 according to the CRR, was 20% in common equity Tier 1 capital. The same happens with the rest of deductions.

The valuation adjustments of available for sale instruments are not taken into account, also based on the timelines for implementation, although in this case, since it is the first year of implementation, the percentage is zero.

Finally, Tier 1 deductions mainly relate to goodwill and intangible assets not deducted from common equity Tier 1 capital (the remaining 80%).

A reconciliation of the balance sheet to the accounting regulatory perimeter (provisional data) as of December 31, 2014 is provided below:

		Millions of Euros		
Public balance sheet headings	Public balance sheet	Insurance companies and real estate companies	Jointly-controlled entities and other adjustments	Regulatory balance sheet
Cash and balances with central banks	31,430	(1)	2,480	33,909
Financial assets held for trading	83,258	(1,008)	2,327	84,577
Other financial assets designated at fair value through profit or loss	2,761	(2,189)	18	590
Available for sale financial assets	94,875	(18,394)	3,875	80,356
Loans and recivables	372,375	(859)	17,959	389,475
Held to maturity investments	-	-	-	-
Fair value changes of the hedged items in portolio hedges of interest rate risk	121	-	-	121
Hedging derivatives	2,551	(169)	15	2,396
Non-current assets held for sale	3,793	(19)	99	3,873
Investments in entities accounted for using the equity method	4,509	3,615	(3,891)	4,233
Other	36,270	(1,807)	3,580	38,043
Total assets	**631,942**	**(20,830)**	**26,460**	**637,572**

Capital management

Capital management in the BBVA Group has a twofold aim:

- Maintain a level of capitalization according to the business objectives in all countries in which it operates and, simultaneously,
- Maximize the return on shareholders' funds through the efficient allocation of capital to the different units, a good management of the balance sheet and appropriate use of the various instruments forming the basis of the Group's equity: shares, preferred securities and subordinate debt.

This capital management is carried out determining the capital base and the solvency ratios established by the prudential and minimum capital requirements also have to be met for the entities subject to prudential supervision in each country.

The current regulation allows each entity to apply its own internal ratings-based (IRB) approach to risk assessment and capital management, subject to Bank of Spain approval. The BBVA Group carries out an integrated management of these risks in accordance with its internal policies and its internal capital estimation model has received the Bank of Spain's approval for certain portfolios (see Note 7).

Comprehensive assessment of banks

On October 26, 2014 the results of the comprehensive evaluation ("Comprehensive Assessment") by the ECB along with EBA were published. This examination consisted mainly of a comprehensive review of the quality of assets (Asset Quality Review or AQR, for short) and a resistance exercise (stress test). The goal is to quantify the potential capital shortfall of each entity prior to the entry into operation of the SSM, in which the main European banks will begin to be directly supervised by the ECB. This assessment has had no impact on the consolidated financial statements of the Group.

32. Contingent risks and commitments

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

	Millions of euros		
Contingent Risks and Commitments	**2014**	**2013**	**2012**
Contingent Risks			
Collateral, bank guarantees and indemnities	28,297	28,082	29,976
Rediscounts, endorsements and acceptances	47	39	36
Letter of credit and others	5,397	5,422	7,007
Total Contingent Risks	**33,741**	**33,543**	**37,019**
Contingent Liabilities			-
Balances drawable by third parties:	96,714	87,542	83,519
Credit institutions	1,057	1,583	1,946
Government and other government agencies	1,359	4,354	1,360
Other resident sectors	21,784	20,713	21,982
Non-resident sector	72,514	60,892	58,231
Other contingent liabilities	9,538	6,628	6,623
Total Contingent liabilities	**106,252**	**94,170**	**90,142**
			-
Total contingent risks and contingent liabilities	**139,993**	**127,713**	**127,161**

Since a significant portion of the amounts above will expire without any payment obligation materializing for the consolidated entities, the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

In 2014, 2013 and 2012 no issuance of debt securities carried out by associates of the BBVA Group, joint venture entities or non-Group entities have been guaranteed.

33. Other contingent assets and liabilities

As of December 31, 2014, 2013 and 2012 there were no material contingent assets or liabilities other than those disclosed in the accompanying notes to the financial statements.

34. Purchase and sale commitments and future payment obligations

The breakdown of purchase and sale commitments of the BBVA Group as of December 31, 2014, 2013 and 2012 is as follows:

		Millions of Euro		
Purchase and Sale Commitments	**Notes**	**2014**	**2013**	**2012**
Financial instruments sold with repurchase commitments		**66,326**	**55,503**	**56,196**
Central Banks	9	8,774	5,636	5,614
Credit Institutions	21.1	32,935	22,007	21,533
Government and other government agencies	21.2	3,022	8,512	16,607
Other resident sectors	21.2	13,306	11,608	8,443
Non-resident sectors	21.2	8,289	7,740	3,999
Financial instruments purchased with resale commitments		**17,639**	**11,397**	**10,378**
Central Banks	9	209	120	476
Credit Institutions	13.1	10,440	6,828	6,783
Government and other government agencies	13.2	378	-	-
Other resident sectors	13.2	5,932	4,039	2,516
Non-resident sectors	13.2	680	410	602

A breakdown of the maturity of other payment obligations, not registered in previous notes, due later than December 31, 2014 is provided below:

	Millions of Euros				
Maturity of Future Payment Obligations	**Up to 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Years**	**Total**
Finance leases	267	272	272	2,410	3,221
Operating leases	-	-	-	-	-
Purchase commitments	50	-	-	-	50
Technology and systems projects	33	-	-	-	33
Other projects	17	-	-	-	17
Total	**317**	**272**	**272**	**2,410**	**3,271**

35. Transactions on behalf of third parties

As of December 31, 2014, 2013 and 2012 the details of the most significant items under this heading are as follows:

Transactions on Behalf of Third Parties	**2014**	**2013**	**2012**
Financial instruments entrusted by third parties	602,791	560,640	502,047
Conditional bills and other securities received for collection	4,438	3,505	3,951
Securities received in credit	3,945	3,844	5,915

As of December 31, 2014, 2013 and 2012 the off-balance sheet customer funds managed by the BBVA Group are as follows:

	Millions of Euros		
Off-Balance Sheet Customer Funds by Type	**2014**	**2013**	**2012**
Commercialized by the Group			
Investment companies and mutual funds	52,922	43,600	40,118
Pension funds	24,755	21,074	84,500
Customer portfolios managed on a discretionary basis	35,129	31,073	28,138
Of which:			
Portfolios managed on a discretionary	17,187	7,038	11,998
Commercialized by the Group managed by third parties outside the Group			
Investment companies and mutual funds	3,197	127	70
Pension funds	30	30	29
Saving insurance contracts	-	-	-
Total	**116,033**	**95,904**	**152,855**

36. Interest income and expense and similar items

36.1 Interest and similar income

The breakdown of the interest and similar income recognized in the accompanying consolidated income statement is as follows:

	Millions of Euros		
Interest and Similar Income. Breakdown by Origin.	**2014**	**2013**	**2012**
Central Banks	132	262	259
Loans and advances to credit institutions	235	356	382
Loans and advances to customers	17,565	18,092	19,247
Government and other government agency	693	842	901
Resident sector	3,754	4,491	5,784
Non resident sector	13,118	12,758	12,562
Debt securities	3,486	3,465	3,651
Held for trading	1,134	980	1,225
Available-for-sale financial assets and held-to-maturity investments (*)	2,352	2,484	2,426
Rectification of income as a result of hedging transactions	(321)	(292)	(369)
Insurance activity	1,199	1,137	1,049
Other income	542	492	596
Total	**22,838**	**23,512**	**24,815**

(*) Held for sale portfolio was reclassified entirely to “Available for sale financial assets” in 2013.

The amounts recognized in consolidated equity in connection with hedging derivatives and the amounts derecognized from consolidated equity and taken to the consolidated income statement during 2014, 2013 and 2012 are given in the accompanying “Consolidated statements of recognized income and expenses”.

The following table shows the adjustments in income resulting from hedge accounting, broken down by type of hedge:

	Millions of Euros		
Adjustments in Income Resulting from Hedge Accounting	**2014**	**2013**	**2012**
Cash flow hedging	6	51	52
Fair value hedging	(327)	(343)	(421)
Total	**(321)**	**(292)**	**(369)**

36.2 Interest and similar expenses

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

	Millions of Euros		
Interest and Similar Expenses. Breakdown by Origin	**2014**	**2013**	**2012**
Bank of Spain and other central banks	62	161	350
Deposits from credit institutions	1,012	1,165	1,499
Customers deposits	4,246	4,516	4,644
Debt certificates	2,062	3,067	3,008
Subordinated liabilities	484	516	668
Rectification of expenses as a result of hedging transactions	(930)	(1,182)	(1,180)
Cost attributable to pension funds (Note 26)	172	199	256
Insurance activity	912	855	742
Other charges	436	315	354
Total	**8,456**	**9,612**	**10,341**

The following table shows the adjustments in expenses resulting from hedge accounting, broken down by type of hedge:

	Millions of Euros		
Adjustments in Expenses Resulting from Hedge Accounting	**2014**	**2013**	**2012**
Cash flow hedging	(18)	1	9
Fair value hedging	(912)	(1,183)	(1,189)
Total	**(930)**	**(1,182)**	**(1,180)**

36.3 Average return on investments and average borrowing cost

The detail of the average return on investments in the year ended December 31, 2014, 2013 and 2012 is as follows:

	Millions of Euros								
	2014			**2013**			**2012**		
Asset	**Average Balances**	**Interest and Similar Income**	**Average Interest Rates (%)**	**Average Balances**	**Interest and Similar Income**	**Average Interest Rates (%)**	**Average Balances**	**Interest and Similar Income**	**Average Interest Rates (%)**
Cash and balances with central banks	25,049	132	0.53	26,463	262	0.99	24,574	259	1.05
Securities portfolio and derivatives	176,497	4,505	2.55	166,013	4,385	2.64	164,435	4,414	2.68
Loans and advances to credit institutions	24,727	238	0.96	25,998	411	1.58	25,122	442	1.76
Loans and advances to customers	328,183	17,803	5.42	335,248	18,325	5.47	347,336	19,497	5.61
Euros	186,965	4,843	2.59	204,124	5,835	2.86	217,533	7,267	3.34
Foreign currency	141,218	12,960	9.18	131,125	12,489	9.52	129,802	12,230	9.42
Other finance income	-	-	-	-	-	-	-	-	-
Other assets	45,951	159	0.35	45,982	128	0.28	46,613	203	0.44
Totals	**600,407**	**22,838**	**3.80**	**599,705**	**23,512**	**3.92**	**608,081**	**24,815**	**4.08**

The average borrowing cost in the year ended December 31, 2014, 2013 and 2012 is as follows:

	Millions of Euros								
	2014			2013			2012		
Liabilities	Average Balances	Interest and Similar Expenses	Average Interest Rates (%)	Average Balances	Interest and Similar Expenses	Average Interest Rates (%)	Average Balances	Interest and Similar Expenses	Average Interest Rates (%)
Deposits from central banks and credit institutions	81,860	1,292	1.58	86,600	1,551	1.79	104,231	2,089	2.00
Customer deposits	307,482	4,555	1.48	290,105	4,366	1.51	271,828	4,531	1.67
Euros	160,930	1,945	1.21	153,634	1,734	1.13	146,996	1,828	1.24
Foreign currency	146,552	2,521	1.72	136,470	2,632	1.93	124,832	2,703	2.16
Debt certificates and subordinated liabilities	80,355	1,611	2.00	94,130	2,812	2.99	102,563	2,783	2.71
Other finance expenses	-	-	-	-	-	-	-	-	-
Other liabilities	83,620	998	1.19	82,257	883	1.07	86,627	938	1.08
Equity	47,091	-	-	46,614	-	-	42,832	-	-
Totals	**600,407**	**8,456**	**1.41**	**599,705**	**9,612**	**1.60**	**608,081**	**10,341**	**1.70**

The change in the balance under the headings "Interest and similar income" and "Interest and similar expenses" in the accompanying consolidated income statements is the result of exchange rate effect, changing prices (price effect) and changing volume of activity (volume effect), as can be seen below:

	Millions of Euros					
	2014 / 2013			2013 / 2012		
Interest Income and Expense and Similar Items. Change in the Balance	Volume Effect (1)	Price Effect (2)	Total Effect	Volume Effect (1)	Price Effect (2)	Total Effect
Cash and balances with central banks	(14)	(116)	(130)	20	(16)	4
Securities portfolio and derivatives	277	(157)	120	42	(71)	(29)
Loans and advances to credit institutions	(20)	(153)	(173)	15	(46)	(31)
Loans and advances to customers	(386)	(135)	(521)	(679)	(494)	(1,173)
In Euros	(491)	(502)	(992)	(448)	(984)	(1,432)
In other currencies	961	(490)	471	125	135	259
Other assets	(0)	31	31	(3)	(72)	(75)
Interest and similar incomes	**28**	**(702)**	**(674)**	**(342)**	**(961)**	**(1,303)**
Deposits from central banks and credit institutions	(85)	(174)	(259)	(353)	(185)	(538)
Customer deposits	262	(73)	189	305	(469)	(164)
In Euros	82	129	211	83	(176)	(94)
In other currencies	194	(305)	(111)	252	(323)	(71)
Debt certificates and subordinated liabilities	(411)	(789)	(1,201)	(229)	257	28
Other liabilities	15	100	115	(47)	(7)	(56)
Interest and similar expenses	**11**	**(1,167)**	**(1,156)**	**(142)**	**(586)**	**(729)**
Net Interest Income			**482**			**(575)**

(1) The volume effect is calculated as the result of the interest rate of the initial period multiplied by the difference between the average balances of both periods.

(2) The price effect is calculated as the result of the average balance of the last period multiplied by the difference between the interest rates of both periods.

37. Income from equity instruments

The balances for this heading in the accompanying consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 38), as can be seen in the breakdown below:

	Millions of Euros		
Dividend Income	**2014**	**2013**	**2012**
Dividends from:			
Financial assets held for trading	137	72	106
Available-for-sale financial assets	394	163	285
Total	**531**	**235**	**390**

The increase between 2013 and 2014 is mainly due to two factors:

- The resumption of Telefonica S.A. dividends in 2014,
- The reclassification of CNCB in October 2013 to "Financial assets held for sale", which means that dividend payments are accounted for as equity instruments.

38. Share of profit or loss of entities accounted for using the equity method

The breakdown of the share of profit or loss of entities accounted for using the equity method in the accompanying consolidated income statements is as follows:

	Millions of Euros		
Investments in Entities Accounted for Using the Equity Method	**2014**	**2013**	**2012**
CITIC Group (*)	71	430	726
Garanti Group	312	265	312
Metrovacesa, S.A.	(75)	(32)	(31)
Other	35	31	32
Total	**343**	**694**	**1,039**

(*) As of December 31, 2014 this investment only includes the results of CIFH until November 30, 2014 (see Note 3). As of December 31, 2013 this investment included profit and loss of CIFH and the profit and loss of CNCB up to the moment of sale and reclassification (see Note 3).

39. Fee and commission income

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

	Millions of Euros		
Fee and Commission Income	**2014**	**2013**	**2012**
Commitment fees	184	190	186
Contingent risks	297	316	334
Letters of credit	41	50	56
Bank and other guarantees	256	266	278
Arising from exchange of foreign currencies and banknotes	18	23	24
Collection and payment services income	3,119	3,095	2,881
Bills receivables	77	68	77
Current accounts	321	349	381
Credit and debit cards	2,061	1,989	1,756
Checks	219	237	222
Transfers and others payment orders	329	329	313
Rest	112	123	132
Securities services income	1,178	1,142	1,120
Securities underw riting	83	74	100
Securities dealing	190	205	194
Custody securities	310	323	328
Investment and pension funds	465	413	375
Rest assets management	130	127	123
Counseling on and management of one-off transactions	17	14	7
Financial and similar counseling services	75	45	41
Factoring transactions	34	37	38
Non-banking financial products sales	118	109	97
Other fees and commissions	490	507	562
Total	**5,530**	**5,478**	**5,290**

40. Fee and commission expenses

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

Fee and Commission Expenses	2014	2013	2012
	Millions of Euros		
Brokerage fees on lending and deposit transactions	1	1	3
Fees and commissions assigned to third parties	1,020	894	817
Credit and debit cards	881	762	685
Transfers and others payment orders	63	49	42
Securities dealing	4	5	11
Rest	72	78	79
Other fees and commissions	335	333	314
Total	**1,356**	**1,228**	**1,134**

41. Net gains (losses) on financial assets and liabilities (net)

The breakdown of the balance under this heading, by source of the related items, in the accompanying consolidated income statements is as follows:

Gains (Losses) on Financial Assets and Liabilities Breakdown by Heading of the Balance Sheet	2014	2013	2012
	Millions of Euros		
Financial assets held for trading	11	540	653
Other financial assets designated at fair value through profit or loss	27	49	69
Other financial instruments not designated at fair value through profit or loss	1,397	1,019	914
Available-for-sale financial assets	1,400	1,046	801
Loans and receivables	31	126	51
Rest	(34)	(153)	62
Total	**1,435**	**1,608**	**1,636**

The breakdown of the balance 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	2014	2013	2012
	Millions of Euros		
Debt instruments	1,683	1,167	1,101
Equity instruments	345	883	(51)
Loans and advances to customers	35	46	38
Derivatives	(648)	(444)	591
Customer deposits	(4)	13	30
Rest	24	(56)	(73)
Total	**1,435**	**1,608**	**1,636**

The breakdown of the balance of the impact of the derivatives (trading and hedging) under this heading in the accompanying consolidated income statements is as follows:

	Millions of Euros		
Derivatives Trading and Hedging	**2014**	**2013**	**2012**
Trading derivatives			
Interest rate agreements	(429)	139	473
Security agreements	34	(596)	(63)
Commodity agreements	(1)	(1)	(12)
Credit derivative agreements	76	(59)	(47)
Foreign-exchange agreements	(285)	122	66
Other agreements	4	31	7
Subtotal	(601)	(364)	424
Hedging Derivatives Ineffectiveness	-		
Fair value hedging	(47)	(98)	167
Hedging derivative	(488)	(877)	(464)
Hedged item	441	779	631
Cash flow hedging	-	18	-
Subtotal	(47)	(80)	167
Total	**(648)**	**(444)**	**591**

In addition, in 2014, 2013 and 2012, under the heading “Exchange differences (net)” of the income statement, net amounts of positive €39 million, positive €137 million and negative €373 million, respectively, were recognized for transactions with foreign exchange trading derivatives.

42. Other operating income and expenses

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

	Millions of Euros		
Other Operating Income	**2014**	**2013**	**2012**
Income on insurance and reinsurance contracts	3,622	3,761	3,631
Financial income from non-financial services	650	851	807
Of Which: Real estate companies	464	445	278
Rest of other operating income	309	383	327
Of Which: from rented buildings	65	73	57
Total	**4,581**	**4,995**	**4,765**

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

	Millions of Euros		
Other Operating Expenses	**2014**	**2013**	**2012**
Expenses on insurance and reinsurance contracts	2,714	2,831	2,646
Change in inventories	506	495	406
Of Which: Real estate companies	448	428	267
Rest of other operating expenses	2,200	2,507	1,653
Of Which: Contributions to guaranteed banks deposits funds	753	1,021	668
Total	**5,420**	**5,833**	**4,705**

43. Administration costs

43.1 Personnel expenses

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

		Millions of euros		
Personnel Expenses	**Notes**	**2014**	**2013**	**2012**
Wages and salaries		4,108	4,232	4,192
Social security costs		683	693	657
Transfers to internal pension provisions	24	58	70	54
Contributions to external pension funds	24	63	80	84
Other personnel expenses		498	513	480
Total		**5,410**	**5,588**	**5,467**

The breakdown of the average number of employees in the BBVA Group in the year ended December 31, 2014, 2013 and 2012, by professional categories and geographical areas, is as follows:

Average Number of Employees by Geographical Areas	2014	2013	2012
Spanish banks			
Management Team	1,079	1,127	1,129
Other line personnel	21,452	22,375	21,970
Clerical staff	3,793	4,474	4,267
Branches abroad	758	794	886
Subtotal	27,081	28,770	28,252
Companies abroad			
Mexico	28,798	28,309	28,187
United States	10,193	10,689	11,070
Venezuela	5,221	5,292	5,384
Argentina	5,368	5,229	5,147
Colombia	5,464	5,033	4,679
Peru	5,312	5,171	4,851
Other	4,829	5,056	5,777
Subtotal	65,184	64,779	65,095
Pension fund managers	278	2,181	5,505
Other non-banking companies	16,695	16,859	15,072
Total	**109,239**	**112,589**	**113,924**

The breakdown of the number of employees in the BBVA Group as of December 31, 2014, 2013 and 2012 by category and gender, is as follows:

Number of Employees at the period end	2014		2013		2012	
Professional Category and Gender	Male	Female	Male	Female	Male	Female
Management Team	1,579	358	1,675	363	1,708	355
Other line personnel	24,103	21,845	24,375	21,828	25,733	23,218
Clerical staff	25,601	35,284	25,812	35,252	27,311	37,527
Total	**51,283**	**57,487**	**51,862**	**57,443**	**54,752**	**61,100**

The breakdown of the average number of employees in the BBVA Group in the year ended December 31, 2014, 2013 and 2012 is as follows:

Average Number of Employees	2014		2013		2012	
Breakdown by Gender	Male	Female	Male	Female	Male	Female
Average Number of Employees BBVA Group	51,724	57,515	53,325	59,263	53,815	60,109
Of which:						
BBVA, S.A.	14,742	12,320	15,522	12,339	15,440	11,557

43.1.1 Share-based employee remuneration

The amounts recognized under the heading "Personnel expenses - Other personnel expenses" in the consolidated income statements for the year ended December 31, 2014, 2013 and 2012 corresponding to the plans for remuneration based on equity instruments in force in each year, amounted to €68 million, €60 million and €60 million, respectively. These amounts have been recognized with a balancing entry under the heading "Stockholders' funds – Other equity instruments" in the accompanying consolidated balance sheets, net of tax effect.

The characteristics of the Group's plans for remuneration based on equity instruments are described below.

System of Variable Remuneration in Shares

The BBVA General Meeting, held on March 11, 2011, approved a system of variable remuneration in shares for the BBVA Management Team, including the executive directors and members of the Management Committee (the "System of Variable Remuneration in Shares for the Management Team" or the "System"), whose conditions for 2014 were approved by the BBVA General Meeting, held on March 14, 2014.

This system is based on a specific incentive for members of the Management Team (made up of approximately 2,200 recipients) (the "Incentive") comprising the annual allocation to each beneficiary of a number of units that provide the basis for determining the number of shares to which, where applicable, they will be entitled when the Incentive is settled. These depend on the level of delivery against indicators established each year by the General Meeting, taking into account the performance of Total Shareholder Return (TSR); the Group Economic Profit without one-offs; and the Group Attributable Profit without extraordinary items.

This incentive, plus the ordinary variable remuneration in cash to which each manager is entitled, comprises their annual variable remuneration (the "Annual Variable Remuneration").

After each financial year-end, the number of units allocated is divided into three parts indexed to each one of the indicators as a function of the weightings established at any time and each one of these parts is multiplied by a coefficient of between 0 and 2 as a function of the scale defined for each indicator every year.

The shares resulting from this calculation are subject to the following withholding criteria:

- 40% of the shares received will be freely transferrable by the beneficiaries from the time of their vesting;
- 30% of the shares received will become transferrable after one year has elapsed from the incentive settlement date; and
- The remaining 30% will become transferrable after two years have elapsed from the incentive settlement date.

Apart from this, the Bank also has a specific system for settlement and payment of the variable remuneration applicable to employees and managers, including the executive directors and members of the Management Committee, performing professional activities that may have a significant impact on the risk profile of the entity or perform control duties (hereinafter, the "Identified staff").

The specific rules for settlement and payment of the Annual Variable Remuneration of executive directors and members of the Management Committee are described in Note 53, while the rules listed below are applicable to the rest of the Identified staff:

- At least 50% of the total Annual Variable Remuneration of the members of the management team in the Identified staff will be paid in BBVA shares.
- Those in the Identified staff who are not members of the management team will receive 50% of their ordinary variable remuneration in BBVA shares.
- The payment of 40% of their variable remuneration, both in cash and in shares, will be deferred in time. The deferred amount will be paid one third a year over the following three years.
- All the shares delivered to these beneficiaries pursuant to the rules explained in the previous paragraph will be unavailable during one year after they have vested. This withholding will be applied against the net amount of the shares, after discounting the part needed to pay the tax accruing on the shares received. A prohibition has also been established against hedging with unavailable vested shares and shares pending reception.
- Moreover, circumstances have been defined in which the payment of the deferred Annual Variable Remuneration payable may be capped or impeded (*malus* clauses), and the adjustment to update these deferred parts has also been determined.
- Finally, the variable component of the remuneration corresponding to the Identified Staff is limited to a maximum amount of the 100% of the fix component of the total remuneration, unless the General Meeting approves to increase this limit that, in any case, cannot exceed 200% of the fix component of the total remuneration.

For this purpose, the BBVA General Meeting held on March 14, 2014 approved, in accordance with the current laws applicable, that the variable component of the remuneration, corresponding to a year, of the executive directors and certain managers and employees with significant impact on the risk profile of the entity or perform control duties, can reach the 200% of the fix component of the total remuneration, all according to the Report of Recommendations issued by the Board of Directors of BBVA dated January 30, 2014.

When the term of the Incentive ended on December 31, 2014, the multiplier applicable to the units allocated to each beneficiary was 0.4775. This resulted in a total number of 3,134,540 shares for the Management Team as a whole, subject to the settlement and payment system described above.

Likewise, during 2014 the shares corresponding to the deferred part of the Annual Variable Remuneration corresponding to previous years and its updates have been granted to the beneficiary members of the Identified Staff. Therefore, during 2014 534,953 shares have been granted corresponding to the first third of the Deferred Variable Remuneration in 2012, plus €171,185 as an adjustment for the updated value of the shares vested; and a total of 817,012 shares corresponding to the second third of the Deferred Variable Remuneration in 2011, plus €602,138 as and adjustment for the updated value of the shares vested.

Likewise, during 2014 the shares corresponding to the deferred part of the 2010-2011 Multi-Year Variable Share Remuneration Programme (hereinafter the "Programme" or the "LTI 2010-2011") have been granted to the beneficiaries of BBVA Compass as it is described below:

When the term of LTI 2010-2011approved by the General Meeting, 12th March 2010, ended on 31st December 2011, it was settled in application of the conditions established when it began.

However, with respect to those Programme beneficiaries who are members of the Identified staff described above, the Bank's General Meeting, 16th March 2012, approved the modification of the settlement and payment system for the LTI 2010-2011 in order to align it with the special rules applicable to employees performing professional activities that may have a significant impact on the risk profile of the entity or perform control duties, including executive directors and members of the Management Committee, such that:

- The payment of 40% of the shares resulting from settlement of the Programme (50% in the case of executive directors and other members of the Management Committee) was deferred to vest in thirds in 2013, 2014 and 2015.
- The shares paid will not be availed during a period of one year as of their vesting date. This withholding is applicable to the net amount of the shares, after discounting the part needed to pay taxes on the shares received.
- The vesting of the deferred shares will be subject to the application of the circumstances limiting or impeding payment of the variable remuneration (*malus* clauses) established by the Board of Directors; and
- The deferred shares will be adjusted to reflect their updated value.

Thus, under the conditions established in the Deferred Variable Remuneration, in 2014 the Identified staff vested a total of 351,105 shares, equivalent to the second third of the deferred part of the shares resulting from settlement of the Programme, plus €259,818 as an adjustment for the updated value of the shares vested. The payment of the remaining one third of the deferred shares resulting from the settlement of the Programme was deferred until the first quarter of 2015.

The settlement and payment of the shares arising from this Programme for the executive directors and members of the Management Committee was carried out according to the scheme defined for such purpose, as described in Note 53.

Finally, during 2014 the shares corresponding to BBVA Long-Term Incentive in the United States have been granted to beneficiaries of that geography:

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

It was agreed on that the conditions for this incentive plan would be the same as those for the LTI 2010-2011 detailed above for those Program beneficiaries.

Thus, during 2014, 6,910 shares have been granted to beneficiaries of BBVA Compass, corresponding to the first third of the deferred part of the resulting shares of the LTI 2010-2011 settlement, and €2,211 as an adjustment of granted shares. There are still two thirds deferred for 2015 and 2016.

Additionally, the BBVA Compass remuneration structure includes long-term incentive programs in shares for employees in certain key positions that do not belong to the Management Team. These plans run over a three-year term. On December 31, 2014 there are three existing programs (2012-2014, 2013-2015 and 2014-2016).

Once the 2011-2013 program have finished, 157,480 shares, corresponding to this program, have been granted during 2014.

43.2 General and administrative expenses

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

	Millions of Euros		
General and Administrative Expenses	**2014**	**2013**	**2012**
Technology and systems	585	714	735
Communications	271	294	311
Advertising	213	336	359
Property, fixtures and materials	911	920	873
Of which: Rent expenses (*)	461	470	490
Taxes other than income tax	418	421	417
Other expenses	1,606	1,428	1,234
Total	**4,004**	**4,113**	**3,929**

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

44. Depreciation and amortization

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

		Millions of Euros		
Depreciation and Amortization	**Notes**	**2014**	**2013**	**2012**
Tangible assets	17	611	581	565
For own use		589	560	543
Investment properties		22	21	22
Assets leased out under financial lease		-	-	-
Other Intangible assets	18.2	535	514	413
Total		**1,145**	**1,095**	**978**

45. Provisions (net)

In the year ended December 31, 2014, 2013 and 2012 the net allowances charged to the income statement under the headings "Provisions for pensions and similar obligations", "Provisions for contingent risks and commitments", "Provisions for taxes and other legal contingencies" and "Other provisions" in the accompanying consolidated income statements are as follows:

		Millions of Euros		
Provisions (Net)	**Notes**	**2014**	**2013**	**2012**
Provisions for pensions and similar obligations	24	816	373	433
Provisions for contingent risks and commitments	7.3.8	14	38	55
Provisions for taxes and other legal contingencies		94	14	10
Other Provisions		218	184	143
Total		**1,142**	**609**	**641**

46. Impairment losses on financial assets (net)

The breakdown of impairment losses on financial assets by the nature of those assets in the accompanying consolidated income statements is as follows:

		Millions of Euros		
Impairment Losses on Financial Assets (Net)	**Notes**	**2014**	**2013**	**201**
Available-for-sale financial assets	12	36	36	41
Debt securities		19	5	(5)
Other equity instruments		17	31	46
Loans and receivables	7.3.8	4,304	5,577	7,817
Of w hich:				
Recovery of w ritten-off assets	7.3.7	443	362	337
Total		**4,340**	**5,612**	**7,859**

47. Impairment losses on other assets (net)

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying consolidated income statements are as follows:

		Millions of Euros		
Impairment Losses on Other Assets (Net)	**Notes**	**2014**	**2013**	**2012**
Goodwill and investment in entities	18.1 - 16	-	5	54
Other intangible assets	18.2	8	9	-
Tangible assets	17	97	160	90
For own use		35	32	1
Investment properties		61	127	89
Inventories	20	192	270	956
Rest		-	24	24
Total		**297**	**467**	**1,123**

48. Gains (losses) on derecognized assets not classified as non-current assets held for sale

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

	Millions of Euros		
Gains and Losses on Derecognized Assets Not Classified as Non-current Assets Held for Sale	**2014**	**2013**	**2012**
Gains			
Disposal of investments in subsidiaries	28	67	31
Disposal of tangible assets and other	38	637	22
Losses:			
Disposal of investments in subsidiaries	-	(2,601)	(25)
Disposal of tangible assets and other	(20)	(18)	(25)
Total	**46**	**(1,915)**	**3**

During 2013, the heading "Losses - Disposal of investments in subsidiaries" included, mainly, the realized losses for the sale of the stake in CNCB. The heading "Gains - Disposal of tangible assets and other" included the realized gains of the reinsurance agreement that has been registered with the reinsurance entity Scor Global Life.

49. Gains (losses) on non-current assets held for sale

49.1 Gains (losses) on non-current assets held for sale not classified as discontinued operations

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

		Millions of Euros		
Gains (Losses) in Non-current Assets Held for Sale not classified as discontinued operations	**Notes**	**2014**	**2013**	**2012**
Gains (losses) on sale of real estate		(5)	(25)	(85)
Impairment of non-current assets held for sale	15	(406)	(602)	(524)
Impairment and gains (losses) on sale of investments classified as assets held for sale		(42)	228	(15)
Total		**(453)**	**(399)**	**(624)**

49.2 Gains (losses) on non-current assets held for sale classified as discontinued operations

The earnings generated by discontinued operations are shown below (see Note 3). During 2014, no earnings were generated by discontinued operations.

	Millions of Euros		
Gains (Losses) in Non-current Assets Held for Sale classified as discontinued operations	**2014**	**2013**	**2012**
Interest income/(charges)	-	3	11
Income for companies accounted for using the equity method	-	8	9
Net fee and commission income	-	210	686
Gains/losses on financial assets and liabilities	-	8	65
Exchange differences	-	-	-
Other operating income (net)	-	(8)	(2)
Total income	-	222	769
Personnel expenses	-	(51)	(139)
Other general administrative expenses	-	(29)	(89)
Depreciation and amortization	-	(5)	(10)
Provisions	-	(1)	(6)
Impairment losses on financial assets	-	-	-
Profit (loss) from operations	-	136	525
Gains (losses) on disposal of assets not classified as non-current assets held for sale	-	2	3
Profit (loss) before tax	-	137	528
Income tax	-	(43)	(136)
Profit (loss) from discontinued operations (*)	**-**	**94**	**393**
Profit from business sale agreements (**)	**-**	**1,772**	
Total	**-**	**1,866**	**393**

(*) Originated until the date of the sale agreement.

(**) Includes the net profit and profit attributable to non-controlling interests and the impact of exchange/translation differences of the sale during 2013 of AFP Horizonte, S.A.(Peru), BBVA Horizonte (Colombia) y Afore Bancomer (México).

50. Consolidated statements of cash flows

Cash flows from operating activities decreased in 2014 by €6,188 million (compared with a decrease of €500 million in 2013). The most significant reasons for the change occurred under the headings "Loans and receivables", "Financial liabilities at amortized cost" and "Financial instruments held for trading".

The variances in cash flows from investment activities between in 2014 not material.

Cash flows from financing activities increased during 2014 by €3,157 million (compared to €1,326 million decrease in 2013), with the most significant changes corresponding to the issue of own equity instruments and "Subordinated liabilities".

The table below shows the breakdown of the main cash flows related to investing activities as of December 31, 2014, 2013 and 2012:

Main Cash Flows in Investing Activities 2013	Millions of Euros Cash Flows in Investment Activities Investments (-)	 Divestments (+)
Tangible assets	(1,419)	167
Intangible assets	(467)	-
Investments	-	118
Subsidiaries and other business units	(98)	-
Non-current assets held for sale and associated liabilities	-	548
Held-to-maturity investments	-	-
Other settlements related to investment activities	-	-

Main Cash Flows in Investing Activities 2013	Millions of Euros Cash Flows in Investment Activities Investments (-)	 Divestments (+)
Tangible assets	(1,252)	101
Intangible assets	(526)	-
Investments	(547)	944
Subsidiaries and other business units	-	3,299
Non-current assets held for sale and associated liabilities	-	571
Held-to-maturity investments	-	431
Other settlements related to investment activities	-	-

Main Cash Flows in Investing Activities 2012	Millions of Euros Cash Flows in Investment Activities Investments (-)	 Divestments (+)
Tangible assets	1,685	-
Intangible assets	777	-
Investments	-	19
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	-	590
Held-to-maturity investments	60	-
Other settlements related to investment activities	-	-

51. Accountant fees and services

The details of the fees for the services contracted by entities of the BBVA Group in 2014 with their respective auditors and other audit entities are as follows:

Fees for Audits Conducted	Millions of Euros 2014
Audits of the companies audited by firms belonging to the Deloitte worldwide organization and other reports related with the audit (*)	21,3
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	3,4
Fees for audits conducted by other firms	0,1

(*) Including fees belonging to annual statutory audits (€17 million)

In 2014, other entities in the BBVA Group contracted other services (other than audits) as follows:

Other Services Contracted	Millions of Euros 2014
Firms belonging to the Deloitte worldwide organization(*)	3,3
Other firms	27,1

(*) Including €1.1 million related to fees for tax services.

The services provided by the auditors meet the independence requirements established under Law 44/2002, of 22 November 2002, on Measures Reforming the Financial System and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC); accordingly they do not include the performance of any work that is incompatible with the auditing function.

52. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. All of these transactions are of little relevance and are carried out under normal market conditions.

52.1 Transactions with significant shareholders

As of December 31, 2014 there were no shareholders considered significant (see Note 25).

52.2 Transactions with BBVA Group entities

The balances of the main aggregates in the accompanying consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

Balances arising from transactions with Entities of the Group	Millions of euros 2014	2013	2012
Assets:			
Loans and advances to credit institutions	544	318	212
Loans and advances to customers	1,145	792	820
Liabilities:			
Deposits from credit institutions	142	5	28
Customer deposits	84	504	180
Debt certificates	16	-	-
Memorandum accounts:			
Contingent risks	960	691	102
Contingent commitments	161	46	114

The balances of the main aggregates in the accompanying consolidated income statements resulting from transactions with associated and joint venture entities that are consolidated by the equity method are as follows:

Balances of Income Statement arising from transactions with Entities of the Group	Millions of euros 2014	2013	2012
Income statement:			
Financial incomes	71	53	26
Financial costs	20	4	1

There were no other material effects in the consolidated financial statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1) and from the insurance policies to cover pension or similar commitments, as described in Note 24. As of December 31, 2014, the notional amount of the derivatives entered into by the BBVA Group with those entities amounted to €959 million which corresponded to financial derivatives with the Garanti Group).

In addition, as part of its normal activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the accompanying consolidated financial statements.

52.3 Transactions with members of the Board of Directors and the Management Committee

The information on the remuneration of the members of the BBVA Board of Directors and the Management Committee is included in Note 53.

As of December 31, 2014 and 2013, the amount disposed of the loans granted by the Group's entities to the members of the Board of Directors was €235 and €141 thousand, respectively. As of December 31, 2012 there were no loans granted by the Group's credit institutions to the members of the Bank's Board of Directors. As of December 31, 2014, 2013 and 2012 the amount disposed of the loans granted by the Group's entities to the members of the Management Committee (excluding the executive directors) amounted to €4,614 thousand, €6,076 thousand and €7,401 thousand, respectively.

As of December 31, 2014, there were no loans granted to parties related to the members of the Bank's Board of Directors and as of December 31, 2013 and 2012 the amount disposed of the loans granted to parties related to the members of the Bank's Board of Directors amounted to €6,939 thousand and €13,152 thousand, respectively. As of December 31, 2014 the amount disposed of loans granted to parties linked to members of the Bank's Management Committee amounted to €291 thousand. As of December 31, 2013 and 2012, there were no loans granted to parties linked to members of the Bank's Management Committee.

As of December 31, 2014, 2013 and 2012 no guarantees had been granted to any member of the Board of Directors.

As of December 31, 2014, 2013 and 2012 no guarantees had been granted to any member of the Management Committee.

As of December 31, 2014, 2013 and 2012 the amount disposed for guarantee and commercial loan transactions arranged with parties related to the members of the Bank's Board of Directors and Management Committee totaled €419 thousand, €5,192 thousand and €3,327 thousand, respectively.

52.4 Transactions with other related parties

In the year ended December 31, 2014, 2013 and 2012 the Group did not perform any transactions with other related parties that did not belong to the normal course of their business, that were not under market conditions or that were relevant for the consolidated equity, financial situation or earnings of the BBVA Group.

53. Remuneration and other benefits of the Board of Directors and Members of the Bank's Management Committee

- **Remuneration of non-executive directors received in 2014**

The cash remuneration paid to the non-executive members of the Board of Directors during 2014 is indicated below. The figures are given individually for each non-executive director and itemised:

	Thousands of Euros						
Non-Executive Director remuneration	Board of Directors	Executive Committee	Audit & Compliance	Risks Committee	Remuneration Committee	Appointments Committee	Total
Tomás Alfaro Drake	129	-	71	-	21	102	323
Ramón Bustamante y de la Mora	129	-	71	107	-	-	307
José Antonio Fernández Rivero (1)	129	-	-	214	-	41	383
Ignacio Ferrero Jordi	129	167	-	-	43	-	338
Belén Garijo López	129	-	71	-	-	-	200
Carlos Loring Martínez de Irujo	129	-	71	-	107	-	307
Lourdes Máiz Carro (2)	107	-	-	-	-	-	107
José Maldonado Ramos	129	167	-	-	43	41	379
José Luis Palao García-Suelto	129	-	179	107	-	20	435
Juan Pi Llorens	129	-	-	107	43	-	278
Susana Rodríguez Vidarte	129	167	-	53	21	41	411
Total (3)	**1,395**	**500**	**464**	**588**	**278**	**244**	**3,469**

(1) Mr. José Antonio Fernández Rivero received, in addition to the above mentioned amounts, a total of €546 thousand as a pre-retired BBVA employee. As of November, his status changed to retired, and he recived a retirement pension amount of €95 thousand from an insurance company.

(2) Mrs. Lourdes Máiz Carro was named director on March 14, 2014, as agreed at the AGM.

(3) Mr. Juan Carlos Álvarez Mezquíriz, who ceased to be a director on March 14, 2014, received the total amount of €84 thousand as retribution for his tenure in the Board of Directors, Executive Committee and Appointments Committee. These amounts likewise include the changes in the composition of the committees during 2014.

Moreover, in 2014, €117 thousand were paid in health and casualty insurance premiums for non-executive members of the Board of Directors.

- **Remuneration of executive directors received in 2014**

The remuneration paid to the executive directors during 2014 is indicated below. The figures are given individually for each executive director and itemised:

	Thousands of Euros						
Executive Director remuneration	Fixed Remuneration	2013 Annual Variable Remuneration in cash (1)	Deferred Variable Remuneration in cash (2)	Total Cash	2013 Annual Variable Remuneration in BBVA Shares (1)	Deferred Variable Remuneration in BBVA Shares (2)	Total Shares
Chairman and CEO	1,966	797	682	3,445	88,670	122,989	211,659
President and COO	1,748	495	432	2,675	55,066	84,995	140,061
José Manuel González-Páramo Martínez-Murillo	800	48	-	848	5,304	-	5,304
Total	**4,514**	**1,340**	**1,114**	**6,968**	**149,040**	**207,984**	**357,024**

(1) Amounts corresponding to 50% of the Annual Variable Remuneration for 2013.

(2) Amounts corresponding to the sum of the deferred remuneration of the Annual Variable Remuneration of previous years (2012 and 2011) and to the LTI 2010-2011 shares, and its cash updates, whose payment have been done during 2014.

Moreover, the executive directors have received during 2014 benefits in kind and other remuneration for a total amount of €54,196; of which €13,527 correspond to the Chairman and CEO, €25,971 to the President and COO and €14,698 to Mr. José Manuel González- Páramo Martinez-Murillo.

The executive directors' remuneration, that correspond to the model that apply to the management team of BBVA, is composed by a fix remuneration and a variable remuneration, constituted by an ordinary variable cash remuneration and a variable remuneration share-based incentive for the management team of the BBVA Group. (the "Annual Variable Remuneration").

During 2014, the executive directors have received the amount of the fixed remuneration corresponding to the year and the variable remuneration to be payable this year, to which they are entitled under the settlement and payment system resolved by the General Meeting (the "Settlement and Payment System"), which determines that:

- At least 50% of the total Annual Variable Remuneration shall be paid in BBVA shares.
- The payment of 50% of the Annual Variable Remuneration shall be deferred in time, the deferred amount being paid in thirds over the three-year period following its settlement.
- All the shares vesting to these beneficiaries pursuant to the rules explained in the previous paragraph may not be availed during a period of one year after they have vested. This withholding will be applied against the net amount of the shares, after discounting the necessary part to pay the tax accruing on the shares received.
- Moreover, cases have been established in which the payment of the deferred Annual Variable Remuneration payable may be limited or impeded (*malus* clauses), and

- The deferred parts of the Annual Variable Remuneration will be adjusted to update them in the terms established by the Board of Directors.

Thus, during 2014 executive directors have received the following variable remuneration:

1. Annual Variable Remuneration for year 2013

The amount corresponding to the 50% of the Annual Variable Remuneration (in cash and in shares) corresponding to 2013, as indicated in the chart above. The remaining 50% of the Annual Variable Remuneration for 2013 that has been deferred under the Settlement and Payment System will be paid, subject to the conditions described above, in thirds during the first quarter of 2015, 2016 and 2017, such that under this item the Chairman and CEO will receive €265,713 and 29,557 BBVA shares, the President and COO will receive €165,012 and 18,356 BBVA shares and Mr. José Manuel González-Páramo will receive €15,894 and 1,768 shares.

(*) Mr. José Manuel González-Páramo Martínez-Murillo was appointed executive director of BBVA by agreement of the Board of Directors on May 29, 2013, being his Annual Variable Remuneration for 2013 proportional to the time he has been on the charge.

2. Deferred parts of the Variable Remuneration from previous years paid in 2014:

The Chairman & CEO and the President & COO, in application of the Settlement & Payment System, have received the following variable remuneration during 2014:

– Annual Variable Remuneration for the year 2012

The amount corresponding to the first third of the deferred Annual Variable Remuneration of 2012, both in cash and in shares, receiving, after the pertinent adjustments, the amount of €273,902 and 36,163 shares in the case of the Chairman and CEO, and €166,877 and 22,032 shares in the case of the President and COO.

The remaining two thirds of the deferred Annual Variable Remuneration corresponding to 2012 will be paid during the first quarter of 2015 and 2016, subject to the aforementioned conditions.

– Annual Variable Remuneration for the year 2011

The amount corresponding to the second third of the deferred Annual Variable Remuneration of 2011, both in cash and in shares, receiving, after the pertinent adjustments, the amount of €381,871 and 51,826 shares in the case of the Chairman and CEO, and €242,883 and 32,963 shares in the case of the President and COO.

The remaining third of the Annual Variable Remuneration corresponding to 2011 will be paid, during the first quarter of 2015, subject to the conditions mentioned above.

– Multi-Year Variable Share Remuneration Programme for 2010-2011 ("LTI 2010-2011")

Lastly, the Chairman and CEO and the President and COO have received during 2014 the second third of the shares resulting from the settlement of the LTI 2010-2011 that were deferred, for which the Chairman and CEO received 35,000 shares and the President & COO 30,000 shares; and the cash amount resulting from the adjustment for the updated value of these deferred shares, for which the Chairman & CEO received €25,795 and the President and COO €22,110, being deferred until the first semester of 2015 the payment, under the aforementioned conditions, of the remaining third resulting from the settlement of the LTI 2010-2011.

- **Annual Variable Remuneration of executive directors for the year 2014**

Following year-end 2014, the Annual Variable Remuneration for the executive directors corresponding to that year has been determined, applying the conditions established for that purpose by the General Meeting. Consequently, during the first quarter of 2015 the executive directors will receive 50% of this remuneration, i.e., €865,644 and 112,174 BBVA shares for the Chairman & CEO; €530,169 and 68,702 BBVA shares for the President & COO; and €85,199 and 11,041 BBVA shares for José Manuel González-Páramo Martínez-Murillo (*). The remaining 50% of the Annual Variable Remuneration will be deferred over a three-year period, such that during the first quarter of each year (2016, 2017 and 2018) the Chairman & CEO will receive the amount of €288,548 and 37,392 BBVA shares; the President & COO will receive €176,723 and 22,901 BBVA shares; and José Manuel González-Páramo Martínez-Murillo will receive €28,400 and 3,681 BBVA shares.

The payment of the deferred parts of the 2014 Annual Variable Remuneration will be subject to the conditions of the Settlement & Payment System established pursuant to the resolutions adopted by the General Meeting.

These amounts are recorded under the item "Other Liabilities - Accrued interest" of the consolidated balance sheet at December 31, 2014.

- Remuneration of the members of the Management Committee received in 2014(*)

During 2014, the remuneration paid to the members of the BBVA Management Committee as a whole, excluding the executive directors, amounted to €8,764 thousand corresponding to fixed remuneration plus the variable remuneration indicated below, pursuant to the Settlement and Payment System described above:

(*) This section includes aggregated information for the non-executive members of the Board of Directors as of December 31, 2014 (13 members)

1. Annual Variable Remuneration for year 2013

A total amount of €2,734 thousand and 304,579 BBVA shares, that corresponds to the part of the Annual Variable Remuneration of 2013 under the Settlement and Payment System applicable to each menber of the Management Committe.

The remaining part of the deferred Annual Variable Remuneration for 2013 will be paid, subject to the conditions described above, in thirds during the first quarter of 2015, 2016 and 2017, such that under this item, this group as a whole will receive the amount of €911 thousand (*) and 101,098 BBVA shares each year.

(*) According to the average exchange rate as of December 31, 2014

2. Deferred parts of the Variable Remuneration from previous years

– Annual Variable Remuneration for 2012

The first third of the deferred Annual Variable Remuneration of 2012, corresponding for this item, after its updates, the amount of €765 thousand and 101,407 shares.

The remaining Annual Variable Remuneration corresponding to 2012 for this group has been deferred and will be payable in thirds during the first quarter of 2015 and 2016, under the conditions described above.

– Annual Variable Remuneration for 2011

The second third of the deferred Annual Variable Remuneration of 2011, corresponding for this item, after its updates, the amount of €989 thousand and 134,618 shares.

The remaining Annual Variable Remuneration corresponding to 2011 for this group has been deferred and will be payable during the first quarter of 2015, under the conditions described above.

– **Multi-Year Variable Share Remuneration Programme for 2010-2011 ("LTI 2010-2011").**

The second third of the shares resulting from the settlement of the LTI 2010-2011 that were deferred, corresponding under this item a total of 89,998 shares for the Management Committee as a whole. A further €66 thousand was paid corresponding to the adjustment of these deferred vested shares.

The remaining two third of the deferred shares resulting from the settlement of the LTI 2010-2011 for thiese members will be paid during the first quarter of 2015, under the conditions described above.

Finally, in 2014, members of the BBVA Management Committee as a whole, excluding executive directors, received remuneration in kind amounting to a total of €1,084 thousand.

- **System of Remuneration in Shares with Deferred Delivery for non-executive directors**

BBVA has a remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the General Meeting, 18th March 2006 and extended for an additional 5-year period under a resolution of the General Meeting, 11th March 2011.

This System is based on the annual allocation to non-executive directors of a number of "theoretical shares", equivalent to 20% of the total remuneration in cash received by each of them in the previous year, according to the average closing prices of the BBVA share during the sixty trading sessions prior to the Annual General Meeting approving the corresponding financial statements for each year.

These shares, where applicable, will be delivered to each beneficiary on the date they leave the position as director for any reason other than dereliction of duty.

The number of "theoretical shares" allocated to the non-executive directors in 2014 who are beneficiaries of the system of deferred delivery of shares, corresponding to 20% of the total remuneration in cash received by said directors during 2013, are as follows:

	Theoretical shares allocated in 2014	Theoretical shares accumulated at December 31, 2014
Tomás Alfaro Drake	6,693	43,159
Ramón Bustamante y de la Mora	6,807	69,512
José Antonio Fernández Rivero	8,497	69,013
Ignacio Ferrero Jordi	7,500	74,702
Belén Garijo López	4,437	7,957
Carlos Loring Martínez de Irujo	6,811	57,307
José Maldonado Ramos	8,402	36,268
José Luis Palao García-Suelto	9,181	29,658
Juan Pi Llorens	6,174	16,365
Susana Rodríguez Vidarte	6,817	53,919
Total (1)	**71,319**	**457,860**

(1) Mr. Juan Carlos Álvarez Mezquíriz, who ceased as director on March 14, 2014, was also allocated 7,453 theroretical shares.

- **Pensions commitments**

The provisions recorded as of December 31, 2014 to cover pension commitments for executive directors amount to €26,026 thousand in the case of the President and COO and €269 thousand in the case of José Manuel González-Páramo Martínez-Murillo. €2,624 thousand and €261 thousand were set aside in 2014 for the President and COO and for José Manuel González-Páramo Martínez-Murillo, respectively, to cover the contingencies of retirement, disability and death.

There are no other pension obligations in favour of other executive directors.

The provisions charged to December 31, 2014 for pension commitments for the members of the Management Committee, excluding executive directors, amounted to €89,817 thousand, of which, €8,649 thousand were provisioned during 2014.

- **Extinction of contractual relationship.**

The Bank does not have any commitments to pay severance indemnity to executive directors other than the commitment in respect of José Manuel González-Páramo Martinez-Murillo who is contractually entitled to receive an indemnity equivalent to twice his fixed remuneration should he cease to hold his position on grounds other than his own will, death, retirement, disability or dereliction of duty.

The contractual conditions of the President & COO determine that should he cease to hold his position for any reason other than his own will, retirement, disability or dereliction of duty, he will be given early retirement with a pension payable, as he chooses, through a lifelong annuity pension, or by payment of a lump sum that will be 75% of his pensionable salary should this occur before he is 55, and 85% should it occur after he has reached said age.

54. Other information

54.1 Environmental impact

Given the activities BBVA Group entities engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated equity, financial situation and profits. Consequently, as of December 31, 2014, there is no item in the Group's accompanying consolidated financial statements that requires disclosure in an environmental information report pursuant to Ministry of Economy Order JUS/206/2009 dated January 28, implementing new forms for the use of entities obliged to publish such information, and no specific disclosure of information on environmental matters is included in these financial statements.

54.2 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid in the year

The table below presents the dividends per share paid in cash in 2014, 2013 and 2012 (cash basis dividend, regardless of the year in which they were accrued, but without including other shareholder remuneration, such as the "Dividend Option").

See Note 4 for a complete analysis of all remuneration awarded to shareholders during 2014, 2013 and 2012:

	2014			2013			2012		
Dividends Paid ("Dividend Option" not included)	**% Over Nominal**	**Euros per Share**	**Amount (Millions of Euros)**	**% Over Nominal**	**Euros per Share**	**Amount (Millions of Euros)**	**% Over Nominal**	**Euros per Share**	**Amount (Millions of Euros)**
Ordinary shares	16%	0.08	471	41%	0.20	1,117	41%	0.20	1,029
Rest of shares	-	-	-	-	-	-	-	-	-
Total dividends paid in cash	**16%**	**0.08**	**471**	**41%**	**0.20**	**1,117**	**41%**	**0.20**	**1,029**
Dividends with charge to income	16%	0.08	471	41%	0.20	1,117	41%	0.20	1,029
Dividends with charge to reserve or share premium	-	-	-	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-	-	-	-

Earnings and ordinary income by business segment

The detail of the consolidated profit for the year ended December 31, 2014, 2013 and 2012 for each operating segment is as follows:

	Millions of Euros		
Profit Attributable by Operating Segments	**2014**	**2013 (*)**	**2012**
Spain	1,028	589	1,186
Real Estate Activity in Spain	(876)	(1,252)	(4,068)
Eurasia	565	449	404
Mexico	1,915	1,802	1,687
South America	1,001	1,224	1,172
United States	428	390	445
Subtotal operating segments	4,062	3,201	826
Corporate Center	(1,444)	(1,117)	850
Profit attributable to parent company	**2,618**	**2,084**	**1,676**
Non-assigned income	-	-	-
Elimination of interim income (between segments)	-	-	-
Other gains (losses) (*)	464	753	651
Income tax and/or profit from discontinued operations	898	(1,882)	(745)
Operating profit before tax	**3,980**	**954**	**1,582**

(*) Profit attributable to non-controlling interests.

For the year ended December 31, 2014, 2013 and 2012 detail of the BBVA Group's ordinary income for each operating segment, which is made up of the "Interest and similar income", "Dividend income", "Fee and commission income", "Net gains (losses) on financial assets and liabilities" and "Other operating income", is as follows:

	Millions of Euros		
Ordinary Profit by Operating Segments	**2014**	**2013**	**2012**
Spain	6,622	6,103	6,659
Real Estate	(132)	(38)	(79)
Eurasia	1,680	1,717	1,665
Mexico	6,522	6,194	5,751
South America	5,191	5,583	5,308
United States	2,137	2,047	2,198
Corporate Center	(664)	(210)	391
Adjustments and eliminations of ordinary profit between segments	(631)	(645)	(68)
Total Ordinary Profit BBVA Group	**20,725**	**20,752**	**21,824**

Issuances by market type

Changes in debt certificates (including bonds) and subordinated liabilities (see Note 21.3) in the year ended December 31, 2014, 2013 and 2012 by the type of market in which they were issued are as follows:

Debt Certificates and Subordinated Liabilities 2014	Millions of Euros				
	Balance at the Beginning	Issuances	Repurchase or Redemption	Exchange Differences and Other	Balance at the End
Debt certificates issued in the European Union	61,480	7,486	(13,187)	(271)	55,508
With information brochure	61,311	7,486	(13,187)	(271)	55,339
Without information brochure	169	-	-	-	169
Other debt certificates issued outside the European Union	13,199	4,264	(1,364)	584	16,683
Total	**74,679**	**11,750**	**(14,551)**	**313**	**72,191**

Debt Certificates and Subordinated Liabilities 2013	Millions of Euros				
	Balance at the Beginning	Issuances	Repurchase or Redemption	Exchange Differences and Other(*)	Balance at the End
Debt certificates issued in the European Union	85,022	13,609	(37,011)	(140)	61,479
With information brochure	84,853	13,609	(37,011)	(140)	61,311
Without information brochure	169	-	-	-	169
Other debt certificates issued outside the European Union	13,049	2,324	(1,675)	(499)	13,199
Total	**98,070**	**15,933**	**(38,686)**	**(639)**	**74,679**

Debt Certificates and Subordinated Liabilities 2012	Millions of Euros				
	Balance at the Beginning	Issuances	Repurchase or Redemption	Exchange Differences and Other	Balance at the End
Debt certificates issued in the European Union	85,924	58,702	(71,644)	12,040	85,022
With information brochure	85,855	58,602	(71,644)	12,040	84,853
Without information brochure	69	100	-	-	169
Other debt certificates issued outside the European Union	11,425	3,538	(2,524)	610	13,049
Total	**97,349**	**62,239**	**(74,167)**	**12,650**	**98,070**

Interest and income by geographical area

The breakdown of the balance of "Interest and Similar Income" in the accompanying consolidated income statements by geographical area is as follows:

Interest and Similar Income. Breakdown by Geographical Area	Millions of Euros		
	2014	2013	2012
Domestic market	7,073	7,965	9,299
Foreign	15,765	15,547	15,516
European Union	369	523	757
Rest of OECD	9,492	7,999	8,193
Rest of countries	5,904	7,025	6,566
Total	**22,838**	**23,512**	**24,815**

55. Subsequent events

Subsequent to the year ended December 31, 2014, it is expected that on February 3, 2015, under the powers delegated by the Company's AGM held on March 16, 2012, under point five of its agenda, the Board of Directors meeting submits for approval an agreement for the issue of debentures convertible into ordinary BBVA shares, excluding the pre-emptive subscription right.

In case such agreement is approved, and for the purposes set out in articles 414, 417 and 511 of the Spanish Corporations Act, the mandatory Directors report explaining the conversion conditions and types will be issued, justifying the proposal for the abolition of the pre-emptive subscription right, to be accompanied, as appropriate, by another report drafted by an auditor other than the company's auditor, appointed for this purpose by the Companies Register to year end, it is expected that on February 3, 2015, there will be a resolution to issue bonds convertible into ordinary shares of BBVA excluding preferential subscription rights subject to approval by the Board of Directors, under the authority delegated by the General Meeting of Shareholders of the Company held on March 16, 2012, in its fifth item on the agenda,

From January 1, 2015 to the date of preparation of these consolidated financial statements, no other subsequent events not mentioned above in these financial statements have taken place that significantly affect the Group's earnings or its equity position.

56. Explanation added for translation into English

These accompanying consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

BBVA Group

Appendices

APPENDIX I Additional information on consolidated subsidiaries and consolidated structured entities composing the BBVA Group

Additional Information on Consolidated Subsidiaries composing the BBVA Group

			% of Voting Rights Controlled by the Bank			Millions of Euros(*) Affiliate Entity Data				
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets 12.31.14**	**Liabilities 12.31.14**	**Equity 12.31.14**	**Profit (Loss) 12.31.14**
AMERICAN FINANCE GROUP, INC.	UNITED STATES	INACTIVE	-	100.00	100.00	17	17	-	17	-
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	51	516	464	87	(35)
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	GERMANY	REAL ESTATE	-	100.00	100.00	4	7	-	7	-
ANIDA GRUPO INMOBILIARIO, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	271	1,987	1,717	742	(471)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	155	133	-	122	11
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	244	4,583	4,316	643	(375)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	91	131	40	82	10
ANIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2	2	-	2	-
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	-	100.00	100.00	25	112	99	21	(7)
APLICA SOLUCIONES TECNOLOGICAS CHILE LIMITADA	CHILE	SERVICES	-	100.00	100.00	-	1	-	-	-
APLICA TECNOLOGIA AVANZADA OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	14	9	4	-
APLICA TECNOLOGIA AVANZADA SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	3	2	-	-
APLICA TECNOLOGIA AVANZADA, S.A. DE C.V.- ATA	MEXICO	SERVICES	100.00	-	100.00	160	322	125	190	7
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	805	806	1	802	2
ARRAHONA AMBIT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	76	112	(25)	(12)
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	53	291	204	75	12
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	234	327	(72)	(21)
ARRAHONA RENT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	11	-	11	(1)
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	288	344	(22)	(33)
ARRELS CT LLOGUER, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	39	44	(2)	(2)
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	135	165	(28)	(3)
ARRELS CT PROMOU, S.A.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	-	19	28	(11)	2
AUMERAVILLA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-	2	-
BAHIA SUR RESORT, S.C.	SPAIN	INACTIVE	99.95	-	99.95	1	1	-	1	-
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	52.20	47.80	100.00	105	5,203	4,982	284	(64)
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	-	68.18	68.18	682	16,275	15,275	903	97
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	-	100.00	110	2,603	2,433	157	13
BANCO CONTINENTAL, S.A. (1)	PERU	BANKING	-	46.12	46.12	1,424	17,542	15,999	1,187	357
BANCO DE PROMOCION DE NEGOCIOS, S.A.	SPAIN	BANKING	-	99.86	99.86	15	19	-	19	-
BANCO DEPOSITARIO BBVA, S.A.	SPAIN	BANKING	-	100.00	100.00	2	2,709	2,667	21	22
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	-	99.93	99.93	97	153	13	126	14
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	17	18	-	18	-
BANCO PROVINCIAL OVERSEAS N.V.	CURAÇAO	BANKING	-	100.00	100.00	51	586	533	53	-
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	493	21,157	19,131	1,727	299
BANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	6	7	2	3	3
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
BANCOMER TRANSFER SERVICES, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	34	67	32	25	9
BBV AMERICA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	479	1,745	-	1,784	(39)
BBVA ASESORIAS FINANCIERAS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	1	-

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(*) Information on foreign companies at exchange rate on December 31, 2014

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)

			% of Voting Rights Controlled by the Bank			Millions of Euros(*) Affiliate Entity Data				
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets 12.31.14**	**Liabilities 12.31.14**	**Equity 12.31.14**	**Profit (Loss) 12.31.14**
BBVA ASSET MANAGEMENT ADMINISTRADORA GENERAL DE FONDOS S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	14	16	2	8	5
BBVA ASSET MANAGEMENT CONTINENTAL S.A. SAF (1)	PERU	FINANCIAL SERVICES	-	46.12	46.12	15	20	5	12	3
BBVA ASSET MANAGEMENT, S.A. SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	31	34	3	25	6
BBVA ASSET MANAGEMENT, S.A., SGIIC	SPAIN	OTHER INVESTMENT COMPANIES	17.00	83.00	100.00	11	145	83	27	35
BBVA AUTOMERCANTIL, COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS,LDA.	PORTUGAL	FINANCIAL SERVICES	100.00	-	100.00	5	20	15	5	-
BBVA AUTORENTING, S.A.	SPAIN	SERVICES	100.00	-	100.00	69	389	335	40	13
BBVA BANCO DE FINANCIACION S.A.	SPAIN	BANKING	-	100.00	100.00	64	2,159	2,084	74	-
BBVA BANCO FRANCES, S.A.	ARGENTINA	BANKING	45.61	30.32	75.93	157	6,927	5,932	697	298
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	26	43	16	11	15
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	159	440	281	108	51
BBVA BANCOMER SEGUROS SALUD, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	21	30	9	18	3
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	16	101	85	11	6
BBVA BANCOMER USA, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	45	46	1	33	12
BBVA BANCOMER, S.A.,INSTITUCION DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER	MEXICO	BANKING	-	100.00	100.00	7,498	85,940	78,458	6,075	1,407
BBVA BRASIL BANCO DE INVESTIMENTO, S.A.	BRASIL	BANKING	100.00	-	100.00	16	37	3	31	2
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	-	24	6	13	5
BBVA CAPITAL FINANCE, S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	37	36	-	-
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	76.20	19.23	95.43	377	14,592	13,390	1,019	183
BBVA COMERCIALIZADORA LTDA.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	4	4	1	3	-
BBVA COMPASS BANCSHARES, INC	UNITED STATES	INVESTMENT COMPANY	100.00	-	100.00	9,754	9,966	103	9,512	351
BBVA COMPASS FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	214	483	270	214	(1)
BBVA COMPASS INSURANCE AGENCY, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	131	133	2	126	5
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	9	110	75	23	12
BBVA CONSULTING (BEIJING) LIMITED	CHINA	FINANCIAL SERVICES	-	100.00	100.00	-	2	1	1	-
BBVA CONSULTORIA, S.A.	SPAIN	SERVICES	-	100.00	100.00	4	5	1	5	-
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA, EDPYME, S.A. (BBVA CONSUMER FINANCE - EDPYME)	PERU	FINANCIAL SERVICES	-	66.32	66.32	15	52	34	19	(1)
BBVA CORREDORA TECNICA DE SEGUROS LIMITADA	CHILE	FINANCIAL SERVICES	-	100.00	100.00	13	18	4	8	6
BBVA CORREDORES DE BOLSA LIMITADA	CHILE	SECURITIES DEALER	-	100.00	100.00	50	589	538	84	(34)
BBVA DATA & ANALYTICS, S.L.	SPAIN	SERVICES	-	100.00	100.00	-	3	2	-	1
BBVA DINERO EXPRESS, S.A.U	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	2	5	1	4	-
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	2	2	0	1	1
BBVA ELCANO EMPRESARIAL II, S.A. EN LIQUIDACION	SPAIN	IN LIQUIDATION	45.00	-	45.00	14	36	4	28	4
BBVA ELCANO EMPRESARIAL, S.A. EN LIQUIDACION	SPAIN	IN LIQUIDATION	45.00	-	45.00	14	36	4	28	4
BBVA FACTORING LIMITADA (CHILE)	CHILE	FINANCIAL SERVICES	-	100.00	100.00	8	88	79	8	-
BBVA FINANCE (UK), LTD.	UNITED KINGDOM	IN LIQUIDATION	-	100.00	100.00	3	12	-	12	-
BBVA FINANZIA, S.p.A	ITALY	FINANCIAL SERVICES	100.00	-	100.00	29	318	291	23	4
BBVA FRANCES ASSET MANAGMENT S.A. SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN.	ARGENTINA	FINANCIAL SERVICES	-	100.00	100.00	8	19	6	7	5
BBVA FRANCES VALORES, S.A.	ARGENTINA	SECURITIES DEALER	-	100.00	100.00	2	4	1	2	1
BBVA FUNDOS, S.GESTORA FUNDOS PENSOES,S.A.	PORTUGAL	PENSION FUNDS MANAGEMENT	-	100.00	100.00	1	15	1	13	1
BBVA GEST, S.G.DE FUNDOS DE INVESTIMENTO MOBILIARIO, S.A.	PORTUGAL	SECURITIES DEALER	-	100.00	100.00	1	8	-	8	-

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(*) Information on foreign companies at exchange rate on December 31, 2014

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)

			% of Voting Rights Controlled by the Bank			Millions of Euros(*) Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 12.31.14	Liabilities 12.31.14	Equity 12.31.14	Profit (Loss) 12.31.14
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	395	391	4	-
BBVA GLOBAL MARKETS B.V.	NETHERLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	592	592	-	-
BBVA INMOBILIARIA E INVERSIONES, S.A.	CHILE	REAL ESTATE	-	68.11	68.11	5	42	35	6	1
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	267	221	44	2
BBVA INTERNATIONAL LIMITED	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	12	9	3	-
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1,772	1,772	1	-
BBVA INVERSIONES CHILE, S.A.	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	483	1,366	6	1,244	116
BBVA IRELAND PLC	IRELAND	FINANCIAL SERVICES	100.00	-	100.00	180	459	254	198	7
BBVA LEASIMO - SOCIEDADE DE LOCAÇAO FINANCEIRA, S.A.	PORTUGAL	FINANCIAL SERVICES	-	100.00	100.00	9	12	3	9	-
BBVA LUXINVEST, S.A.	LUXEMBOURG	INVESTMENT COMPANY	36.00	64.00	100.00	256	275	7	143	125
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	-	100.00	100.00	3	166	150	9	6
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	95.00	-	95.00	-	-	-	-	-
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	100.00	-	100.00	23	1,726	1,584	119	23
BBVA PARTICIPACIONES MEJICANAS, S.L.	SPAIN	INVESTMENT COMPANY	99.00	1.00	100.00	-	-	-	-	-
BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUNDS MANAGEMENT	100.00	-	100.00	13	67	35	16	16
BBVA PLANIFICACION PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	-	1	-	1	-
BBVA PREVISIÓN AFP S.A. ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUNDS MANAGEMENT	75.00	5.00	80.00	2	15	7	5	3
BBVA PROPIEDAD, S.A.	SPAIN	REAL ESTATE INVESTMENT COMPANY	-	100.00	100.00	1,162	1,187	10	1,237	(61)
BBVA RE LIMITED	IRELAND	INSURANCES SERVICES	-	100.00	100.00	1	87	45	34	8
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	1	1	(1)	-
BBVA RENTAS E INVERSIONES LIMITADA	CHILE	INVESTMENT COMPANY	-	100.00	100.00	191	192	-	158	34
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERVICES	5.94	94.06	100.00	21	716	631	71	15
BBVA SECURITIES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	149	2,903	2,754	121	28
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	66	50	14	3
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	417	320	68	29
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCES SERVICES	-	100.00	100.00	52	227	174	50	3
BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	94.35	5.60	99.95	431	18,113	16,382	1,513	218
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	11,585	11,584	1	-
BBVA SERVICIOS CORPORATIVOS LIMITADA	CHILE	SERVICES	-	100.00	100.00	8	15	7	7	1
BBVA SERVICIOS, S.A.	SPAIN	COMERCIAL	-	100.00	100.00	-	10	2	7	2
BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	CHILE	FINANCIAL SERVICES	-	97.49	97.49	20	66	46	20	-
BBVA SOLUCIONES AVANZADAS DE ASESORAMIENTO Y GESTION, S.L. (**)	SPAIN	SERVICES	-	100.00	100.00	-	-	1	3	(3)
BBVA SUBORDINATED CAPITAL S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1,768	1,767	1	-
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SWITZERLAND	BANKING	39.72	60.28	100.00	67	927	786	127	15
BBVA TRADE, S.A.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	6	34	13	13	8
BBVA U.S. SENIOR S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1,670	1,670	-	-
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	-	100.00	100.00	4	5	1	3	1
BBVA VIDA, S.A.DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	100.00	-	100.00	122	2,151	2,019	52	79
BBVA WEALTH SOLUTIONS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	5	5	-	6	(1)
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	INVESTMENT COMPANY	89.00	11.00	100.00	35	175	56	114	6

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(*) Information on foreign companies at exchange rate on December 31, 2014

(**) This company has an equity loan from Blue Indico Investments, S.L.

Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)

			% of Voting Rights Controlled by the Bank			Millions of Euros(*) Affiliate Entity Data				
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets 12.31.14**	**Liabilities 12.31.14**	**Equity 12.31.14**	**Profit (Loss) 12.31.14**
BLUE INDICO INVESTMENTS, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	5	18	18	3	(2)
CAIXA DE MANLLEU PREFERENTS, S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	-	-	-	-
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	1	76	74	2	-
CAIXASABADELL PREFERENTS, S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	92	91	1	-
CAIXASABADELL TINELIA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	41	42	-	41	-
CAPITAL INVESTMENT COUNSEL, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	12	13	-	11	2
CARTERA E INVERSIONES S.A., CIA DE	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	92	88	56	34	(2)
CASA DE BOLSA BBVA BANCOMER, S.A. DE C.V.	MEXICO	SECURITIES DEALER	-	100.00	100.00	66	74	8	31	35
CATALONIA GEBIRA, S.L, (**)	SPAIN	REAL ESTATE	-	81.66	81.66	-	44	51	(6)	-
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	14	17	5	(7)
CB TRANSPORT ,INC.	UNITED STATES	INACTIVE	-	100.00	100.00	16	16	-	15	1
CDD GESTIONI, S.R.L.	ITALY	REAL ESTATE	100.00	-	100.00	5	6	-	6	-
CIA. GLOBAL DE MANDATOS Y REPRESENTACIONES, S.A.	URUGUAY	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	15	15	-	15	-
CIDESSA UNO, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	5	178	131	51	(5)
CIERVANA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	53	61	2	53	6
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	-	49.99	49.99	-	1	1	-	-
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	-	100.00	100.00	2	6	4	1	1
COMPASS ASSET ACCEPTANCE COMPANY, LLC	UNITED STATES	INACTIVE	-	100.00	100.00	402	402	-	402	-
COMPASS AUTO RECEIVABLES CORPORATION	UNITED STATES	INACTIVE	-	100.00	100.00	3	3	-	3	-
COMPASS BANK	UNITED STATES	BANKING	-	100.00	100.00	9,673	70,583	60,911	9,343	330
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,517	6,517	-	6,447	70
COMPASS CUSTODIAL SERVICES, INC.	UNITED STATES	INACTIVE	-	100.00	100.00	-	-	-	-	-
COMPASS GP, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	40	50	10	39	-
COMPASS INVESTMENTS, INC.	UNITED STATES	INACTIVE	-	100.00	100.00	-	-	-	-	-
COMPASS LIMITED PARTNER, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	5,673	5,674	1	5,605	67
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	66	66	-	66	-
COMPASS MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2,492	2,547	54	2,456	36
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
COMPASS MULTISTATE SERVICES CORPORATION	UNITED STATES	INACTIVE	-	100.00	100.00	3	3	-	3	-
COMPASS SOUTHWEST, LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	4,675	4,675	-	4,615	60
COMPASS TEXAS ACQUISITION CORPORATION	UNITED STATES	INACTIVE	-	100.00	100.00	2	2	-	2	-
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
COMPASS TRUST II	UNITED STATES	INACTIVE	-	100.00	100.00	-	-	-	-	-
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	580	781	1	778	3
COMPLEMENTOS INNOVACIÓN Y MODA, S.L. (***)	SPAIN	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	-	6	5	1	(1)
CONSORCIO DE CASAS MEXICANAS, S.A.P.I. DE C.V.	MEXICO	REAL ESTATE	-	99.99	99.99	1	26	13	13	1

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(*) Information on foreign companies at exchange rate on December 31, 2014

(**) This company has an equity loan from ARRELS CT PATRIMONI I PROYECTES, S.A.

(***) This company has an equity loan from BBVA ELCANO EMPRESARIAL, S.C.R.S.A. and BBVA ELCANO EMPRESARIAL II, S.C.R.S.A. In liquidaton.

Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)

			% of Voting Rights Controlled by the Bank			Millions of Euros(*) Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 12.31.14	Liabilities 12.31.14	Equity 12.31.14	Profit (Loss) 12.31.14
CONTENTS AREA, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	6	1	6	-
CONTINENTAL BOLSA, SDAD. AGENTE DE BOLSA, S.A. (1)	PERU	SECURITIES DEALER	-	46.12	46.12	7	10	2	7	1
CONTINENTAL DPR FINANCE COMPANY (1)	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	322	322	-	-
CONTINENTAL SOCIEDAD TITULIZADORA, S.A. (1)	PERU	FINANCIAL SERVICES	-	46.12	46.12	1	1	-	-	-
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	10	5	4	-
COPROMED S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	510	1,188	1	966	221
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	SPAIN	REAL ESTATE	-	75.54	75.54	70	107	15	93	(1)
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2	2	-	2	-
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	-	-	-	-	-
ECASA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	11	13	2	6	5
ECOARENYS, S.L. (**)	SPAIN	REAL ESTATE	-	50.00	50.00	-	16	53	(31)	(6)
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	-	99.05	99.05	4	8	4	5	(1)
EL MILANILLO, S.A. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	11	8	1	7	-
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	3	8	6	3	(1)
ENTRE2 SERVICIOS FINANCIEROS, E.F.C., S.A.	SPAIN	FINANCIAL SERVICES	-	100.00	100.00	9	9	-	9	-
ESPAIS SABADELL PROMOCIONS INMOBILIARIES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	6	10	3	6	1
ESPANHOLA COMERCIAL E SERVIÇOS, LTDA.	BRASIL	IN LIQUIDATION	100.00	-	100.00	-	-	-	1	-
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	SPAIN	SERVICES	-	51.00	51.00	-	-	-	-	-
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	SPAIN	FINANCIAL SERVICES	88.99	-	88.99	2	42	6	32	4
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	1	-	1	-
F/403035-9 BBVA HORIZONTES RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	1	-	1	-
FACILEASING EQUIPMENT, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	51	517	438	66	13
FACILEASING S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	70	728	668	52	8
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	3	3	-	3	-
FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	73	73	-	69	3
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE	-	100.00	100.00	37	40	7	34	(1)
INSTITUCION DE BANCA MULTIPLE, FIDUCIARIO (FIDEIC.00989 6	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	2	201	199	(7)	9
FIDEICOMISO Nº 711, EN BANCO INVEX, S.A.,INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 1ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	49	49	1	(1)
FIDEICOMISO Nº 752, EN BANCO INVEX, S.A.,INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 2ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	24	24	-	-
FIDEICOMISO Nº 781, EN BANCO INVEX, S.A.,INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 3ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	161	103	50	8
FIDEICOMISO Nº 847, EN BANCO INVEX, S.A.,INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 4ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	127	128	-	(1)
FINANCEIRA DO COMERCIO EXTERIOR S.A.R.	PORTUGAL	INACTIVE	100.00	-	100.00	-	-	-	-	-
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	9	24	15	14	(5)
FORUM COMERCIALIZADORA DEL PERU, S.A.	PERU	SERVICES	-	66.32	66.32	3	4	1	3	1
FORUM DISTRIBUIDORA DEL PERU, S.A.	PERU	FINANCIAL SERVICES	-	66.32	66.32	6	26	19	6	-
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	-	75.52	75.52	17	127	107	17	3
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	-	75.50	75.50	133	1,098	941	117	41
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100	1	2	2	1	-

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(*) Information on foreign companies at exchange rate on December 31, 2014

(**) This company has an equity loan from PROMOTORA DEL VALLES, S.L.

(***) This company has an equity loan from ANIDA OPERACIONES SINGULARES, S.A.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)

			% of Voting Rights Controlled by the Bank			Millions of Euros(*) Affiliate Entity Data				
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets 12.31.14**	**Liabilities 12.31.14**	**Equity 12.31.14**	**Profit (Loss) 12.31.14**
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSION FUNDS MANAGEMENT	60.00	-	60.00	9	33	4	21	7
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	-	100.00	100.00	1	1	-	1	-
GOBERNALIA GLOBAL NET, S.A.	SPAIN	SERVICES	-	100.00	100.00	1	7	3	3	1
GRAN JORGE JUAN, S.A. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	424	979	592	383	5
GRANFIDUCIARIA	COLOMBIA	IN LIQUIDATION	-	90.00	90.00	-	-	-	-	-
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	99.97	-	99.97	6,677	9,340	1	7,581	1,758
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	30	30	-	30	-
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	(33)	53	86	(32)	(1)
GUARANTY PLUS PROPERTIES LLC-2	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	38	38	-	38	-
GUARANTY PLUS PROPERTIES, INC-1	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	10	10	-	10	-
HABITATGES INVERCAP, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	-	1	(1)	-
HABITATGES INVERVIC, S.L. (***)	SPAIN	REAL ESTATE	-	35.00	35.00	-	1	12	(9)	(1)
HABITATGES JUVIPRO, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	2	2	-	-
HIPOTECARIA NACIONAL MEXICANA INCORPORATED	UNITED STATES	REAL ESTATE	-	100.00	100.00	-	-	-	-	-
HIPOTECARIA NACIONAL, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	13	21	8	11	3
HOLDING CONTINENTAL, S.A.	PERU	INVESTMENT COMPANY	50.00	-	50.00	124	1,453	-	1,123	330
HOMEOWNERS LOAN CORPORATION	UNITED STATES	IN LIQUIDATION	-	100.00	100.00	8	8	-	8	-
HUMAN RESOURCES PROVIDER, INC	UNITED STATES	SERVICES	-	100.00	100.00	510	510	-	501	8
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	506	506	-	498	8
IMOBILIARIA DUQUE DE AVILA, S.A.	PORTUGAL	REAL ESTATE	-	100.00	100.00	9	24	14	8	3
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	39	39	-	39	-
INMUEBLES Y RECUPERACIONES CONTINENTAL S.A (1)	PERU	REAL ESTATE	-	46.12	46.12	2	9	7	-	2
INNOVATION 4 SECURITY, S.L.	SPAIN	SERVICES	-	100.00	100.00	-	3	2	1	1
INVERAHORRO, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	19	77	57	20	(1)
INVERPRO DESENVOLUPAMENT, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	1	26	24	2	(1)
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	CURAÇAO	INVESTMENT COMPANY	48.00	-	48.00	11	55	2	53	-
INVERSIONES BAPROBA, C.A.	VENEZUELA	FINANCIAL SERVICES	100.00	-	100.00	1	1	-	1	-
INVERSIONES DE INNOVACION EN SERVICIOS FINANCIEROS, S.L. (****)	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	-	42	46	-	(4)
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	-	60.46	60.46	-	-	-	-	-
INVESCO MANAGEMENT Nº 1, S.A.	LUXEMBOURG	FINANCIAL SERVICES	-	100.00	100.00	8	8	-	8	-
INVESCO MANAGEMENT Nº 2, S.A.	LUXEMBOURG	FINANCIAL SERVICES	-	100.00	100.00	-	4	17	(13)	(1)
L'EIX IMMOBLES, S.L. (*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	20	25	(4)	(1)
LIQUIDITY ADVISORS, L.P	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,029	1,029	-	1,024	6
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	-	100.00	100.00	9	1	-	1	-
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	1	3	2	6	(5)
MOMENTUM SOCIAL INVESTMENT 2011, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	3	3	-	3	-
MOMENTUM SOCIAL INVESTMENT 2012, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	2	2	-	2	-
MOMENTUM SOCIAL INVESTMENT 2013, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	2	2	-	2	-
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	7	7	-	7	-

(*) Information on foreign companies at exchange rate on December 31, 2014

(**) This company has an equity loan from BBVA, S. A.

(***) These companies has an equity loan from Inverpro Desenvolupament, S.L.

(*****)This company has an equity loan from BILBAO VIZCAYA HOLDING, S.A.

(*****)This company has an equity loan from PROMOTORA DEL VALLES, S.L.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)

			% of Voting Rights Controlled by the Bank			Millions of Euros(*) Affiliate Entity Data				
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets 12.31.14**	**Liabilities 12.31.14**	**Equity 12.31.14**	**Profit (Loss) 12.31.14**
MULTIASISTENCIA OPERADORA S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	1	1	-	-
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	1	3	2	1	-
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	30	38	8	25	5
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	-	100.00	100.00	66	69	5	54	11
OPPLUS OPERACIONES Y SERVICIOS, S.A.	SPAIN	SERVICES	100.00	-	100.00	1	26	15	7	4
OPPLUS S.A.C	PERU	IN LIQUIDATION	-	50.00	50.00	1	-	-	-	-
PARCSUD PLANNER, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	6	8	(1)	(1)
PARTICIPACIONES ARENAL, S.L.	SPAIN	INACTIVE	-	100.00	100.00	8	8	-	8	-
PECRI INVERSION S.A	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	88	88	-	95	(7)
PENSIONES BANCOMER, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	278	4,119	3,842	241	37
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	370	390	20	361	9
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	78	78	-	78	-
PI HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	23	23	-	23	-
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	-	58.86	58.86	-	-	-	-	-
PROMOCION EMPRESARIAL XX, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	6	9	-	8	-
PROMOTORA DE RECURSOS AGRARIOS, S.A.	SPAIN	COMERCIAL	100.00	-	100.00	-	-	-	-	-
PROMOTORA DEL VALLES, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	-	166	256	(73)	(17)
PROMOU CT 3AG DELTA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	1	10	10	(2)	2
PROMOU CT EIX MACIA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	10	12	(2)	-
PROMOU CT GEBIRA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	8	11	(3)	-
PROMOU CT OPENSEGRE, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	16	31	(13)	(2)
PROMOU CT VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	10	8	3	(1)
PROMOU GLOBAL, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	72	111	(38)	(1)
PROV-INFI-ARRAHONA, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	10	16	(5)	(1)
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	VENEZUELA	SECURITIES DEALER	-	90.00	90.00	1	3	1	3	(1)
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	-	-
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUNDS MANAGEMENT	-	100.00	100.00	1	5	4	1	-
PROXIMA ALFA INVESTMENTS (USA) LLC	UNITED STATES	IN LIQUIDATION	-	100.00	100.00	8	1	-	1	-
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) II INC.	UNITED STATES	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) INC.	UNITED STATES	IN LIQUIDATION	100.00	-	100.00	-	8	4	4	-
RENTRUCKS, ALQUILER Y SERVICIOS DE TRANSPORTE, S.A.	SPAIN	INACTIVE	99.32	-	99.32	2	3	1	5	(4)
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	9	10	1	7	1
RWHC, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	640	640	-	628	13
SCALDIS FINANCE, S.A.	BELGIUM	INVESTMENT COMPANY	-	100.00	100.00	4	18	-	18	-
SEGUROS BANCOMER, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	493	3,499	3,006	271	222
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCES SERVICES	-	100.00	100.00	42	53	12	47	(6)
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	4	12	8	4	1
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2	11	9	2	-
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	16	11	5	1
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	SPAIN	SERVICES	-	100.00	100.00	2	8	5	2	-

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(*) Information on foreign companies at exchange rate on December 31, 2014

(**) This company has an equity loan from ARRELS CT PROMOU, S.A.

(***)This company has an equity loan from PROMOTORA DEL VALLES S.L.

Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued) and consolidated structured entities

			% of Voting Rights Controlled by the Bank			Millions of Euros(*) Affiliate Entity Data				
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets 12.31.14**	**Liabilities 12.31.14**	**Equity 12.31.14**	**Profit (Loss) 12.31.14**
SIMPLE FINANCE TECHNOLOGY CORP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	88	90	2	99	(11)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO.,S.A.	SPAIN	SERVICES	100.00	-	100.00	110	110	-	111	(1)
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO, S.A.	SPAIN	INACTIVE	77.20	-	77.20	-	-	-	-	-
SPORT CLUB 18, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	15	15	-	26	(11)
STATE NATIONAL CAPITAL TRUST I	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	13	12	-	-
STATE NATIONAL STATUTORY TRUST II	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	9	8	-	-
TEXAS LOAN SERVICES, LP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,033	1,033	-	1,025	8
TEXAS REGIONAL STATUTORY TRUST I	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	43	41	1	-
TEXASBANC CAPITAL TRUST I	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	21	21	1	-
TEXTIL TEXTURA, S.L.	SPAIN	COMERCIAL	-	68.67	68.67	2	-	-	-	-
TMF HOLDING INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	10	14	4	10	-
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	90	90	-	87	3
UNIDAD DE AVALUOS MEXICO, S.A. DE CV	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	3	5	2	2	-
UNITARIA GESTION DE PATRIMONIOS INMOBILIARIOS	SPAIN	REAL ESTATE	-	100.00	100.00	2	3	-	3	-
UNIVERSALIDAD "E5"	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	-	2	-	2	-
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	-	149	121	24	4
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.	SPAIN	REAL ESTATE	100.00	-	100.00	-	983	839	338	(194)
UNO-E BANK, S.A.	SPAIN	BANKING	100.00	-	100.00	175	1,367	1,180	161	25
URBANIZADORA SANT LLORENC, S.A.	SPAIN	INACTIVE	60.60	-	60.60	-	-	-	-	-
VALANZA CAPITAL RIESGO S.G.E.C.R. S.A. UNIPERSONAL	SPAIN	VENTURE CAPITAL	100.00	-	100.00	1	14	7	7	-

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(*) Information on foreign companies at exchange rate on December 31, 2014

APPENDIX II Additional information on investments in associates accounted for under the equity method in the BBVA Group

Including the most significant entities, jointly representing 99.71% of all investment in this group

			% of Voting Rights Controlled by the Bank			Millions of Euros(**) Affiliate Entity Data					
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets 12.31.14**	**Liabilities 12.31.14**	**Equity 12.31.14**	**Profit (Loss) 12.31.14**	
ACA, S.A. SOCIEDAD DE VALORES	SPAIN	SECURITIES DEALER	37.50	-	37.50	2	12	2	13	(3)	(1)
ADQUIRA ESPAÑA, S.A.	SPAIN	COMERCIAL	-	40.00	40.00	3	16	10	6	1	
ADQUIRA MEXICO, S.A. DE C.V.	MEXICO	COMERCIAL	-	50.00	50.00	2	7	3	4	-	
ALMAGRARIO, S.A.	COLOMBIA	SERVICES	-	35.38	35.38	4	28	-	28	-	
ALTITUDE SOFTWARE SGPS, S.A. (*)	PORTUGAL	SERVICES	-	31.55	31.55	8	21	21	1	(4)	(1)(4)
ALTURA MARKETS, SOCIEDAD DE VALORES, S.A. (*)	SPAIN	SECURITIES DEALER	50.00	-	50.00	18	1,406	1,370	30	6	
ASOCIACION TECNICA CAJAS DE AHORROS, A.I.E. (ATCA, AIE) (*)	SPAIN	SERVICES	31.00	-	31.00	2	7	-	7	-	
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	4	8	-	8	-	
BRUNARA, SICAV, S.A.	SPAIN	VARIABLE CAPITAL	1.64	9.39	11.03	52	158	1	144	12	
CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.	MEXICO	REAL ESTATE	-	33.33	33.33	36	84	28	58	(3)	
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED CIFH	HONG-KONG	INVESTMENT COMPANY	29.68	-	29.68	675	20,593	18,584	1,791	219	(1)(2)(4)
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	SPAIN	FINANCIAL SERVICES	16.67	-	16.67	17	107	8	91	8	
COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V. (*)	MEXICO	SERVICES	-	50.00	50.00	6	13	-	12	1	
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. (*)	SPAIN	INVESTMENT COMPANY	-	50.00	50.00	111	443	172	270	-	(2)
FERROMOVIL 3000, S.L. (*)	SPAIN	SERVICES	-	20.00	20.00	4	559	529	30	-	
FERROMOVIL 9000, S.L. (*)	SPAIN	SERVICES	-	20.00	20.00	3	359	337	22	-	
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA (*)	MEXICO	REAL ESTATE	-	32.25	32.25	70	216	-	216	-	
FIDEICOMISO F 403853- 5 BBVA BANCOMER SERVICIOS ZIBATA (*)	MEXICO	REAL ESTATE	-	30.00	30.00	20	120	50	64	6	
FIDEICOMISO F/402770-2 ALAMAR (*)	MEXICO	REAL ESTATE	-	42.400	42.40	10	23	-	23	-	
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS (*)	MEXICO	REAL ESTATE	-	46.91	46.91	9	20	-	20	-	
FIDEICOMISO SCOTIABANK INVERLAT SA 100322742 (*)	MEXICO	REAL ESTATE	-	33.62	33.62	11	68	33	34	1	
I+D MEXICO, S.A. DE C.V. (*)	MEXICO	SERVICES	-	50.00	50.00	17	33	-	23	11	(1)
INVERSIONES PLATCO, C.A. (*)	VENEZUELA	FINANCIAL SERVICES	-	50.00	50.00	11	38	16	26	(4)	
METROVACESA, S.A.	SPAIN	REAL ESTATE	18.31	-	18.31	257	6,956	5,705	1,620	(348)	(1)(4)
OCCIDENTAL HOTELES MANAGEMENT, S.L.	SPAIN	SERVICES	-	57.54	57.54	104	625	445	180	-	(2)
PARQUE REFORMA SANTA FE, S.A. de C.V.	MEXICO	REAL ESTATE	-	30.00	30.00	5	52	36	11	5	
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A. (*)	ARGENTINA	BANKING	-	50.00	50.00	26	222	170	32	20	
REAL ESTATE DEAL II, S.A. (*)	SPAIN	OTHER FINANCIAL SERVICES	20.06	-	20.06	5	39	11	29	(1)	
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	SPAIN	FINANCIAL SERVICES	16.75	0.22	16.97	4	112	89	17	6	
ROMBO COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	-	40.00	40.00	25	216	154	37	24	
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES	-	46.14	46.14	5	11	-	11	1	
SERVICIOS ON LINE PARA USUARIOS MULTIPLES, S.A. (SOLIUM) (*)	SPAIN	SERVICES	-	66.67	66.67	7	12	5	6	1	(1)
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	22.30	0.29	22.59	8	52	15	28	9	
SOCIEDAD ADMINISTRADORA DE FONDOS DE CESANTIA DE CHILE II, S.A.	CHILE	PENSION FUND MANAGEMENT	-	48.60	48.60	8	21	4	16	2	
TELEFONICA FACTORING ESPAÑA, S.A.	SPAIN	FINANCIAL SERVICES	30.00	-	30.00	3	59	44	7	9	(4)
TURKIYE GARANTI BANKASI A.S (*)	TURKEY	BANKING	25.01	-	25.01	3,853	20,955	18,631	2,069	255	(3)
VITAMEDICA ADMINISTRADORA, S.A. DE C.V (*)	MEXICO	SERVICES	-	51.00	51.00	3	13	7	6	1	(1)
OTHER COMPANIES						16					

(*) Joint venture entities accounted for using the equity method.

(**) Information on foreign companies at exchange rate on December 31, 2014.

(1) Consolidated data

(2) Non-currents sets held for sale

(3) Information on Garanti Group as of September 30, 2014. Total market capitalization as of December 31, 2014 was €13,970 million. Total received dividends amounted to €36 million.

(4) Figures as of December 31, 2013

APPENDIX III Changes and notification of investments and divestments in the BBVA Group in 2014

Acquisitions or Increases of Interest Ownership in Consolidated Subsidiaries

Company	Type of Transaction	Activity	Millions of Euros: Price Paid in the Transactions + Expenses directly attributable to the Transactions	Millions of Euros: Fair Value of Equity Instruments issued for the Transactions	% of Voting Rights: % Participation (net) Acquired in the Period	% of Voting Rights: Total Voting Rights Controlled after the Transactions	Effective Date for the Transaction (or Notification Date)
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	DILUTION EFFECT	REAL ESTATE	7	-	2.16%	74.66%	2/7/2014
SIMPLE FINANCE TECHNOLOGY CORP.	ACQUISITION	FINANCIAL SERVICES	84	-	100.00%	0.00%	3/20/2014
BBVA DATA & ANALYTICS, S.L.	FOUNDING	SERVICES	-	-	100.00%	100.00%	4/20/2014
MOMENTUM SOCIAL INVESTMENT 2013, S.L.	FOUNDING	INVESTMENT COMPANY	2	-	100.00%	100.00%	5/30/2014
HABITATGES JUVIPRO, S.L.	ACQUISITION	REAL ESTATE	-	-	60.00%	100.00%	7/9/2014
RENTRUCKS, ALQUILER Y SERVICIOS DE TRANSPORTE, S.A.	DILUTION EFFECT	FINANCIAL SERVICES	4	-	0.10%	99.32%	10/7/2014
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	FOUNDING	INVESTMENT COMPANY	7	-	100.00%	100.00%	10/7/2014
L'EIX IMMOBLES, S.L.	ACQUISITION	REAL ESTATE	-	-	10.00%	100.00%	10/7/2014
MADIVA SOLUCIONES, S.L.	ACQUISITION	SERVICES	9	-	100.00%	100.00%	11/28/2014
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	DILUTION EFFECT	REAL ESTATE	3	-	0.88%	75.54%	12/11/2014
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	ACQUISITION	FINANCIAL SERVICES	-	-	1.48%	88.99%	12/18/2014
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	FOUNDING	FINANCIAL SERVICES	-	-	100.00%	100.00%	12/23/2014
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	FOUNDING	FINANCIAL SERVICES	-	-	100.00%	100.00%	12/23/2014

Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

Company	Type of Transaction	Activity	Millions of Euros: Profit (Loss) in the Transaction	Millions of Euros: Changes in the Equity due to the transaction	% of Voting Rights: % Participation Sold in the Period	% of Voting Rights: Total Voting Rights Controlled after the Disposal	Effective Date for the Transaction (or Notification Date)
EL OASIS DE LAS RAMBLAS, S.L.	LIQUIDATION	REAL ESTATE	-	-	70.00%	0.00%	5/2/2014
BBVA BANCO FRANCES, S.A. (*)	DISPOSAL	BANK	-	1	0.03%	75.93%	6/30/2014
GRUPO PROFESIONAL PLANEACION Y PROYECTOS, S.A. DE C.V.	DISPOSAL	SERVICES	-	-	72.05%	0.00%	9/9/2014
F/11032604 FRACCIONAMIENTO LORCA	DILUTION EFFECT	REAL ESTATE	-	-	3.29%	56.76%	6/30/2014
BBVA CARTERA DE INVERSIONES,SICAV,S.A.	LIQUIDATION	VARIABLE CAPITAL	-	-	100.00%	0.00%	10/31/2014
SOCIETE INMOBILIERE BBV D'ILBARRIZ	LIQUIDATION	REAL ESTATE	-	-	100.00%	0.00%	12/15/2014
UNNIM SERVEIS DE DEPENDENCIA, S.A.	LIQUIDATION	SERVICES	-	-	100.00%	0.00%	12/16/2014
SERVICIOS Y SOLUCIONES DE GESTION PARA CORPORACIONES, EMPRESAS Y PARTICULARES, S.L.	LIQUIDATION	SERVICES	-	-	100.00%	0.00%	12/22/2014
IBERNEGOCIO DE TRADE, S.L.	LIQUIDATION	COMMERCIAL	-	-	100.00%	0.00%	12/24/2014
F/11032604 FRACCIONAMIENTO LOARCA TERCERA SECCION	DISPOSAL	REAL ESTATE	-	-	56.76%	0.00%	12/30/2014
FIDEICOMISO Nº.402900-5 ADMINISTRACION DE INMUEBLES	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	0.00%	12/31/2014
Consolidated Structured Entities							
CID II FINANCE B.V.	LIQUIDATION	FINANCIAL SERVICES			-	-	12/30/2014

(*) The profit figure show n is the net attributed income for the sale

Business Combinations and Other Acquisitions or Increases of Interest Ownership in Associates and Joint-Ventures Accounted for Under the Equity Method

Company	Type of Transaction	Activity	Millions of Euros		% of Voting Rights		Effective Date for the Transaction (or Notification Date)
			Price Paid in the Transactions + Expenses Directly Attributable to the Transactions	Fair Value of Equity Instruments Issued for the Transactions	% Participation (Net) Acquired in the Period	Total Voting Rights Controlled After the Transactions	
REAL ESTATE DEAL II, S.A.	ACQUISITION	OTHER INVESTMENT COMP/	5	-	20.06%	20.06%	3/31/2014
BATEC MOBILITY, S.L.	ACQUISITION	SERVICES	-	-	48.51%	48.51%	2/26/2014
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	FOUNDING	INSURANCES SERVICES	-	-	100.00%	100.00%	3/20/2014
SEGURIDAD Y PROTECCION BANCARIAS, S.A. DE C.V.	DILUTION EFFECT	SERVICES	-	-	3.82%	26.14%	5/30/2014
GARANTI FINANSAL KIRALAMA A.S.	ACQUISITION	FINANCIAL SERVICES	-	-	0.04%	99.99%	10/31/2014
GARANTI ODEME SISTEMLERI A.S.(GOSAS)	ACQUISITION	FINANCIAL SERVICES	-	-	0.04%	100.00%	10/31/2014
GARANTI HIZMET YONETIMI A.S	ACQUISITION	FINANCIAL SERVICES	-	-	99.40%	3.00%	10/31/2014
ALTITUDE SOFTWARE SGPS, S.A.	DILUTION EFFECT	SERVICES	-	-	0.54%	31.54%	12/23/2014
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	ACQUISITION	REAL ESTATE	-	-	50.00%	50.00%	12/23/2014
Consolidated Structured Entities							
COMPANY	FOUNDING	FINANCIAL SERVICES	-	-			2/28/2014
RPV COMPANY	FOUNDING	FINANCIAL SERVICES	-	-			2/28/2014

Disposal or Reduction of Interest Ownership in Associates and Joint-Ventures Companies Accounted for Under the Equity Method

Company	Type of Transaction	Activity	Millions of Euros	% of Voting Rights		Effective Date for the Transaction (or Notification Date)
			Profit (Loss) in the Transaction	% Participation Sold in the Period	Total Voting Rights Controlled after the Disposal	
AC HOTEL MANRESA, S.L.	LIQUIDATION	SERVICES	-	50.00%	0.00%	1/7/2014
RENT AND TECH ALQUILER Y SERVICIOS TECNOLOGICOS. S.L.	DISPOSAL	SERVICES	-	100.00%	0.00%	1/9/2014
TUBOS REUNIDOS, S.A.	DISPOSAL	INDUSTRIAL	-	0.46%	21.75%	1/31/2014
TUBOS REUNIDOS, S.A.	DISPOSAL	INDUSTRIAL	16	21.75%	0.00%	2/18/2014
EFEAGRO, S.A.	DISPOSAL	SERVICES	-	50.00%	0.00%	4/28/2014
SVENSON, S.L.	DISPOSAL	COMMERCIAL	-	31.51%	0.00%	5/1/2014
FIDEICOMISO SCOTIABANK INVERLAT SA 100322742	DILUTION EFFECT	REAL ESTATE	-	1.67%	37.01%	6/30/2014
NAVIERA ATTILA, AIE	LIQUIDATION	SERVICES	-	21.01%	0.00%	6/30/2014
CONNEX GARRAF, S.L.	LIQUIDATION	REAL ESTATE	-	33.00%	0.00%	10/15/2014
PROMOU CT MEDEA, S.L.	DISPOSAL	REAL ESTATE	-	51.00%	0.00%	10/28/2014
DOMENIA CREDIT IFN SA	MERGER	FINANCIAL SERVICES	-	100.00%	0.00%	11/14/2014
STICHTING UNITED CUSTODIAN	LIQUIDATION	FINANCIAL SERVICES	-	100.00%	0.00%	11/18/2014
GESTIO CASA JOVE, S.L.	DISPOSAL	REAL ESTATE	-	31.00%	0.00%	11/19/2014
SBD LLOGUER SOCIAL, S.A.	DISPOSAL	REAL ESTATE	3	20.00%	0.00%	11/21/2014
FIDEICOMISO SCOTIABANK INVERLAT SA 100322742	DILUTION EFFECT	REAL ESTATE	-	3.39%	33.61%	11/28/2014
PROMOTORA DE INVERSION DE C. V.	DISPOSAL	REAL ESTATE	8	50.00%	0.00%	11/30/2014
GOLDEN CLOVER STICHTING CUSTODY	LIQUIDATION	FINANCIAL SERVICES	-	100.00%	0.00%	12/8/2014
SAFEKEEPING CUSTODY COMPANY B.V.	LIQUIDATION	FINANCIAL SERVICES	-	100.00%	0.00%	12/12/2014
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	DISPOSAL	FINANCIAL SERVICES	-	1.14%	16.67%	12/16/2014
STICHTING SAFEKEEPING	LIQUIDATION	INVESTMENT COMPANY	-	100.00%	0.00%	12/22/2014

Changes in other Companies quoted recognize as Available-For-Sale

Company	Type of Transaction	Activity	% of voting rights		Effective Date for the Transaction (or Notification Date)
			% Participation Acquired (Sold) in the Period	Totally Controlled after Transaction	
TUBOS REUNIDOS, S.A.	DISPOSAL	INDUSTRIAL	6.89%	14.87%	2/18/2014

APPENDIX IV Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2014

		% of Voting Rights Controlled by the Bank		
Company	**Activity**	**Direct**	**Indirect**	**Total**
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	BANKING	-	68.18	68.18
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA, EDPYME, S.A. (BBVA CONSUMER FINANCE - EDPYME)	FINANCIAL SERVICES	-	84.32	84.32
BBVA ELCANO EMPRESARIAL, S.A. EN LIQUIDACION	IN LIQUIDATION	45.00	-	45.00
BBVA INMOBILIARIA E INVERSIONES, S.A.	REAL ESTATE	-	68.11	68.11
CATALONIA GEBIRA, S.L,	REAL ESTATE	-	81.66	81.66
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	REAL ESTATE	-	75.54	75.54
ECOARENYS, S.L.	REAL ESTATE	-	50.00	50.00
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	SERVICES	-	51.00	51.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	-	65.00	65.00
F/403035-9 BBVA HORIZONTES RESIDENCIAL	REAL ESTATE	-	65.00	65.00
FORUM COMERCIALIZADORA DEL PERU, S.A.	SERVICES	-	84.32	84.32
FORUM DISTRIBUIDORA DEL PERU, S.A.	FINANCIAL SERVICES	-	84.32	84.32
FORUM DISTRIBUIDORA, S.A.	FINANCIAL SERVICES	-	75.52	75.52
FORUM SERVICIOS FINANCIEROS, S.A.	FINANCIAL SERVICES	-	75.50	75.50
GESTION DE PREVISION Y PENSIONES, S.A.	PENSION FUND MANAGEMENT	60.00	-	60.00
HABITATGES INVERVIC, S.L.	REAL ESTATE	-	35.00	35.00
HOLDING CONTINENTAL, S.A.	INVESTMENT COMPANY	50.00	-	50.00
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	INVESTMENT COMPANY	48.00	-	48.00
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	-	60.46	60.46
PRO-SALUD, C.A.	NO ACTIVITY	-	58.86	58.86
TEXTIL TEXTURA, S.L.	COMERCIAL	-	68.67	68.67

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX V BBVA Group's structured entities. Securitization funds

Securitization Fund (consolidated)	Company	Origination Date	Millions of Euros: Total Securitized Exposures at the Origination Date	Millions of Euros: Total Securitized Exposures as of December 31, 2014
BBVA-3 FTPYME FTA	BBVA, S.A	11/2004	1,000	14
BBVA HIPOTECARIO 3 FTA	BBVA, S.A	06/2005	1,450	79
BBVA-4 PYME FTA	BBVA, S.A	09/2005	1,250	27
BBVA AUTOS 2 FTA	BBVA, S.A	12/2005	1,000	24
BBVA CONSUMO 1 FTA	BBVA, S.A	05/2006	1,500	39
BBVA-5 FTPYME FTA	BBVA, S.A	10/2006	1,900	76
BBVA CONSUMO 2 FTA	BBVA, S.A	11/2006	1,500	45
BBVA RMBS 1 FTA	BBVA, S.A	02/2007	2,500	1,391
BBVA RMBS 2 FTA	BBVA, S.A	03/2007	5,000	2,670
BBVA LEASING 1 FTA	BBVA, S.A	06/2007	2,500	206
BBVA-6 FTPYME FTA	BBVA, S.A	06/2007	1,500	99
BBVA RMBS 3 FTA	BBVA, S.A	07/2007	3,000	1,843
BBVA EMPRESAS 1 FTA	BBVA, S.A	11/2007	1,450	79
BBVA-7 FTGENCAT FTA	BBVA, S.A	02/2008	250	24
BBVA CONSUMO 3 FTA	BBVA, S.A	04/2008	975	54
BBVA RMBS 5 FTA	BBVA, S.A	05/2008	5,000	3,054
BBVA-8 FTPYME FTA	BBVA, S.A	07/2008	1,100	138
BBVA EMPRESAS 2 FTA	BBVA, S.A	03/2009	2,850	471
BBVA CONSUMO 4 FTA	BBVA, S.A	12/2009	1,100	142
BBVA EMPRESAS 3 FTA	BBVA, S.A	12/2009	2,600	346
BBVA RMBS 9 FTA	BBVA, S.A	04/2010	1,295	1,049
BBVA EMPRESAS 4 FTA	BBVA, S.A	07/2010	1,700	283
BBVA EMPRESAS 5 FTA	BBVA, S.A	03/2011	1,250	309
BBVA EMPRESAS 6 FTA	BBVA, S.A	12/2011	1,200	440
BBVA RMBS 10 FTA	BBVA, S.A	06/2011	1,600	1,412
BBVA RMBS 11 FTA	BBVA, S.A	06/2012	1,400	1,256
BBVA SECURITISED FUNDING 1.FTA	BBVA, S.A	03/2013	848	602
BBVA RMBS 12 FTA	BBVA, S.A	12/2013	4,350	4,134
BBVA-FINANZIA AUTOS 1 FTA	BBVA, S.A	04/2007	800	33
FTA TDA-22 MIXTO	BBVA, S.A	12/2004	62	21
FTA IM TERRASSA MBS-1	BBVA, S.A	07/2006	525	162
FTA TDA-27	BBVA, S.A	12/2006	275	134
FTA TDA-28	BBVA, S.A	07/2007	250	135
FTA GAT FTGENCAT 2007	BBVA, S.A	11/2007	225	46
FTA GAT FTGENCAT 2008	BBVA, S.A	08/2008	350	118
AYT HIPOTECARIO MIXTO, FTA	BBVA, S.A	03/2004	100	24
TDA 20-MIXTO, FTA	BBVA, S.A	06/2004	100	27
AYT HIPOTECARIO MIXTO IV, FTA	BBVA, S.A	06/2005	100	33
GC FTGENCAT CAIXA SABADELL 1, FTA	BBVA, S.A	10/2006	305	27
AYT CAIXA SABADELL HIPOTECARIO I, FTA	BBVA, S.A	07/2008	300	135
GC FTGENCAT CAIXA SABADELL 2, FTA	BBVA, S.A	12/2008	238	19
BBVA PYME 9 FTA	BBVA, S.A	12/2012	470	226
BBVA RMBS 13 FTA	BBVA, S.A	07/2014	4,100	4,006
BBVA CONSUMO 6 FTA	BBVA, S.A	10/2014	299	273
BBVA RMBS 14 FTA	BBVA, S.A	11/2014	700	686
PEP80040F110	BANCO CONTINENTAL, S.A	12/2007	21	3
BBVA UNIVERSALIDAD E9	BBVA COLOMBIA, S.A.	12/2008	48	6
BBVA UNIVERSALIDAD E10	BBVA COLOMBIA, S.A.	03/2009	26	3
BBVA UNIVERSALIDAD E11	BBVA COLOMBIA, S.A.	05/2009	17	1
BBVA UNIVERSALIDAD E12	BBVA COLOMBIA, S.A.	08/2009	27	3
BBVA UNIVERSALIDAD N6	BBVA COLOMBIA, S.A.	08/2012	73	20
BACOMCB 07	BBVA BANCOMER, S.A	12/2007	148	47
BACOMCB 08	BBVA BANCOMER, S.A	03/2008	65	23
BACOMCB 08U	BBVA BANCOMER, S.A	08/2008	319	152
BACOMCB 08-2	BBVA BANCOMER, S.A	12/2008	326	124
BACOMCB 09	BBVA BANCOMER, S.A	08/2009	366	192
BMERCB 13	BBVA BANCOMER, S.A	06/2013	606	191
2 PS Interamericana	BBVA CHILE S.A.	10/2004	10	3
2 PS Interamericana	BBVA SOCIEDAD DE LEASING INMOBILIARIO, S	10/2004	19	6

Securitization Fund (not consolidated)	Company	Origination Date	Millions of Euros: Total Securitized Exposures at the Origination Date	Millions of Euros: Total Securitized Exposures as of December 31, 2014
BCL MUNICIPIOS I FTA	BBVA, S.A	06/2000	1,205	58
FTA TDA13	BBVA, S.A	12/2000	84	9
FTA TDA-18 MIXTO	BBVA, S.A	11/2003	91	19
AYT 1 HIPOTECARIO, FTH	BBVA, S.A	06/1999	149	4
2 PS RBS (ex ABN)	BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	09/2002	8	5

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX VI Details of the subordinated debt and preferred securities issued by the Bank or entities in the Group consolidated outstanding as of December 31, 2014, 2013 and 2012.

Outstanding as of December 31, 2014 of subordinated issues

		Millions of Euros				
Issuer Entity and Issued Date	**Currency**	**December 2014**	**December 2013**	**December 2012**	**Prevailing Interest Rate at 2014**	**Maturity Date**
Issues in Euros						
BBVA						
July-96	EUR	27	27	27	9.37%	12/22/2016
October-04	EUR	--	628	628		10/20/2019
February-07	EUR	253	255	255	4.50%	2/16/2022
March-08	EUR	125	125	125	6.03%	3/3/2033
July-08	EUR	100	100	100	6.20%	7/4/2023
December-11	EUR	--	--	1,237		
February-14	EUR	1,500	--	--	7.00%	Perpetual
Various	EUR	315	292	--		
Subtotal	**EUR**	**2,320**	**1,427**	**2,372**		
BBVA GLOBAL FINANCE, LTD. (*)						
July-99	EUR	58	59	60	6.35%	10/16/2015
October-01	EUR	10	10	10	6.08%	10/10/2016
October-01	EUR	46	45	46	0.68%	10/15/2016
November-01	EUR	53	53	53	0.79%	11/2/2016
December-01	EUR	56	56	56	0.78%	12/20/2016
Subtotal	**EUR**	**223**	**223**	**225**		
BBVA SUBORDINATED CAPITAL, S.A.U. (*)						
October-05	EUR	96	99	99	0.38%	10/13/2020
October-05	EUR	--	26	26		10/20/2017
April-07	EUR	66	68	68	1.84%	4/4/2022
May-08	EUR	50	50	50	3.00%	5/19/2023
July-08	EUR	20	20	20	6.11%	7/22/2018
April-14	EUR	1,485	--	--	3.50%	4/11/2024
Subtotal	**EUR**	**1,717**	**263**	**263**		
Others						
Subtotal		**--**	**--**	**291**		
Total issued in Euros		**4,260**	**1,913**	**3,151**		

(*) The issues of BBVA Subordinated Capital, S.A.U. and BBVA Global Finance, LTD. are guaranteed (secondary liability) by the Bank.

Outstanding as of December 31, 2014 of subordinated issues

		Millions of Euros				
Issuer Entity and Issued Date	**Currency**	**December 2014**	**December 2013**	**December 2012**	**Prevailing Interest Rate at 2014**	**Maturity Date**
Issues in foreign currency						
BBVA						
May-13	USD	1,235	1,088	--	9.00%	Perpetual
Subtotal	**USD**	**1,235**	**1,088**	**--**		
BBVA GLOBAL FINANCE, LTD. (*)						
December-95	USD	165	146	151	7.00%	12/1/2025
Subtotal	**USD**	**165**	**146**	**151**		
BANCO BILBAO VIZCAYA ARGENTARIA, CHILE						
Various	CLP	578	574	647		Various
Subtotal	**CLP**	**578**	**574**	**647**		
BBVA BANCOMER, S.A. de C.V.						
May-07	USD	413	362	377	6.00%	5/17/2022
April-10	USD	825	724	755	7.00%	4/22/2020
March-11	USD	1,031	905	943	7.00%	3/10/2021
July-12	USD	825	724	755	7.00%	9/30/2022
September-12	USD	413	362	377	7.00%	9/30/2022
November-14	USD	165	--	--	5.00%	11/12/2029
Subtotal	**USD**	**3,672**	**3,077**	**3,207**		
September-06	MXN	--	138	146	4.00%	9/18/2014
October-08	MXN	--	--	175	--	9/24/2018
December-08	MXN	160	158	166	5.00%	11/26/2020
June-09	MXN	--	151	159	5.00%	6/7/2019
Subtotal	**MXN**	**160**	**447**	**646**		
BBVA SUBORDINATED CAPITAL, S.A.U.						
March-07	GBP	--	**20**	19		
Subtotal	**GBP**	**--**	20	19		
BBVA URUGUAY						
December-14	USD	12	--	--	5.00%	12/16/2024
Subtotal	**USD**	**12**	--	--		
BBVA PARAGUAY						
November-14	USD	16	--	--	6.75%	5/11/2021
Subtotal	USD	**16**	--	--		
TEXAS REGIONAL STATUTORY TRUST I						
February-04	USD	41	36	38	3.08%	3/17/2034
Subtotal	USD	**41**	36	38		

(*) The issues of BBVA Subordinated Capital, S.A.U. and BBVA Global Finance, LTD. are guaranteed (secondary liability) by the Bank.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Outstanding as of December 31, 2014 of subordinated issues

		Millions of Euros				
Issuer Entity and Issued Date	**Currency**	**December 2014**	**December 2013**	**December 2012**	**Prevailing Interest Rate at 2014**	**Maturity Date**
STATE NATIONAL CAPITAL TRUST I						
July-03	USD	12	11	12	3.28%	9/30/2033
Subtotal	**USD**	**12**	**11**	**12**		
STATE NATIONAL STATUTORY TRUST II						
March-04	USD	8	7	8	3.02%	3/17/2034
Subtotal	**USD**	**8**	**7**	**8**		
TEXASBANC CAPITAL TRUST I						
June-04	USD	21	18	19	2.84%	7/23/2034
Subtotal	**USD**	**21**	**18**	**19**		
COMPASS BANK						
March-05	USD	182	159	217	5.50%	4/1/2020
March-06	USD	56	49	90	5.90%	4/1/2026
September-07	USD	288	253	264	6.40%	10/1/2017
Subtotal	**USD**	**526**	**461**	**571**		
BBVA COLOMBIA, S.A.						
September-11	COP	36	40	45	8.02%	9/19/2021
September-11	COP	54	59	67	8.26%	9/19/2026
September-11	COP	35	38	44	7.85%	9/19/2018
February-13	COP	69	75	--	7.19%	2/19/2023
February-13	COP	57	62	--	7.47%	2/19/2028
November-14	COP	55	--	--	8.07%	11/26/2034
November-14	COP	31	--	--	7.95%	11/26/2029
Subtotal	**COP**	**337**	**274**	**156**		
BANCO CONTINENTAL, S.A.						
December-06	USD	25	22	23	2.83%	2/15/2017
May-07	USD	17	14	15	6.00%	5/14/2027
September-07	USD	16	14	15	2.49%	9/24/2017
February-08	USD	17	14	15	6.47%	2/28/2028
June-08	USD	25	22	23	2.97%	6/15/2018
November-08	USD	17	14	15	3.83%	2/15/2019
October-10	USD	165	145	152	7.38%	10/7/2040
October-13	USD	37	33	--	6.53%	10/8/2028
September-14	USD	246	--	--	5.25%	9/22/2029
Subtotal	**USD**	**565**	**278**	**258**		
May-07	PEN	11	10	12	5.85%	5/7/2022
June-07	PEN	19	18	19	3.47%	6/18/2032
November-07	PEN	17	16	17	3.56%	11/19/2032
July-08	PEN	15	14	15	3.05%	7/8/2023
September-08	PEN	16	15	17	3.09%	9/9/2023
December-08	PEN	10	9	10	4.19%	12/15/2033
Subtotal	**PEN**	**88**	**82**	**90**		
Others						
Subtotal		**--**	**--**	**157**		
Total issues in foreign currencies (Millions of Euros)		**7,436**	**6,519**	**5,987**		

Outstanding as of December 31, 2014 of preferred issues

Issuer Entity and Issued Date	December 2014 Currency	December 2014 Amount Issued (Millions)	December 2013 Currency	December 2013 Amount Issued (Millions)	December 2012 Currency	December 2012 Amount Issued (Millions)
BBVA (*)						
December 2007	EUR	14	EUR	14	--	--
BBVA International, Ltd.	-	-				
December 2002	EUR	9	EUR	9	EUR	9
BBVA Capital Finance, S.A.U.						
December 2003	EUR	350	EUR	350	EUR	350
July 2004	EUR	500	EUR	500	EUR	500
December 2004	EUR	1,125	EUR	1,125	EUR	1,125
December 2008	EUR	1,000	EUR	1,000	EUR	1,000
BBVA International Preferred, S.A.U.						
September 2005	EUR	85	EUR	85	EUR	85
September 2006	EUR	164	EUR	164	EUR	164
Abril 2007	USD	600	USD	600	USD	600
July 2007	GBP	31	GBP	31	GBP	31
Octuber 2009	EUR	645	EUR	645	EUR	645
Octuber 2009	GBP	251	GBP	251	GBP	251
Phoenix Loan Holdings Inc.						
November 2000	USD	21	USD	25	USD	25
Caixa Terrasa Societat de Participacion						
August 2005	EUR	75	EUR	75	EUR	75
Caixasabadell Preferents, S.A.						
December 2004	EUR	1	EUR	1	EUR	75
July 2006	EUR	90	EUR	90	EUR	90
Others	-	-	--	--	--	82

(*) Issued by Unnim Banc, S.A. Follow ing the merge w ith BBVA, S.A. in 2014 and 2013 it is included in BBVA, S.A..

APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2014, 2013 and 2012

	Millions of Euros			
December 2014	**USD**	**Mexican Pesos**	**Other Foreign Currencies**	**Total Foreign Currencies**
Assets -				
Cash and balances with central banks	8,331	5,892	9,138	23,361
Financial assets held for trading	5,727	16,745	4,073	26,545
Available-for-sale financial assets	13,590	11,623	9,565	34,779
Loans and receivables	76,510	40,744	50,182	167,435
Investments in entities accounted for using the equity method	5	227	3,700	3,931
Tangible assets	726	1,894	1,076	3,696
Other assets	3,874	3,861	3,934	11,669
Total	**108,762**	**80,985**	**81,668**	**271,415**
Liabilities-				
Financial liabilities held for trading	3,828	5,776	1,907	11,511
Financial liabilities at amortised cost	106,582	57,856	61,404	225,841
Other liabilities	1,612	8,620	2,657	12,889
Total	**112,021**	**72,252**	**65,968**	**250,241**

	Millions of Euros			
December 2013	**USD**	**Mexican Pesos**	**Other Foreign Currencies**	**Total Foreign Currencies**
Assets -				
Cash and balances with central banks	6,786	6,097	10,446	23,330
Financial assets held for trading	2,592	15,465	3,979	22,036
Available-for-sale financial assets	8,588	9,344	7,529	25,461
Loans and receivables	61,846	36,110	46,201	144,157
Investments in entities accounted for using the equity method	5	189	4,197	4,391
Tangible assets	673	1,457	958	3,087
Other assets	2,433	4,544	3,501	10,478
Total	**82,924**	**73,206**	**76,810**	**232,940**
Liabilities-				
Financial liabilities held for trading	1,450	4,400	1,100	6,950
Financial liabilities at amortised cost	85,756	51,036	58,267	195,059
Other liabilities	(64)	8,131	2,586	10,653
Total	**87,142**	**63,567**	**61,953**	**212,662**

	Millions of Euros			
December 2012	**USD**	**Mexican Pesos**	**Other Foreign Currencies**	**Total Foreign Currencies**
Assets -				
Cash and balances with central banks	7,842	5,894	10,799	24,535
Financial assets held for trading	4,028	15,539	3,686	23,254
Available-for-sale financial assets	7,596	8,789	6,754	23,139
Loans and receivables	59,940	38,033	44,912	142,885
Investments in entities accounted for using the equity method	5	95	4,426	4,526
Tangible assets	753	1,275	892	2,920
Other assets	4,166	4,210	3,351	11,727
Total	**84,330**	**73,835**	**74,820**	**232,985**
Liabilities-				
Financial liabilities held for trading	1,950	4,587	1,387	7,924
Financial liabilities at amortised cost	85,320	52,037	57,167	194,524
Other liabilities	1,122	7,975	2,801	11,898
Total	**88,392**	**64,598**	**61,355**	**214,346**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX VIII Consolidated income statements for the first and second half of 2014 and 2013

	Millions of Euros			
	Six months ended June 30, 2014	Six months ended December 31, 2014	Six months ended June 30, 2013	Six months ended December 31, 2013
INTEREST AND SIMILAR INCOME	11,000	11,838	11,831	11,681
INTEREST AND SIMILAR EXPENSES	(4,276)	(4,180)	(4,932)	(4,680)
NET INTEREST INCOME	**6,724**	**7,658**	**6,899**	**7,001**
DIVIDEND INCOME	370	161	65	170
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	155	188	407	287
FEE AND COMMISSION INCOME	2,617	2,913	2,692	2,786
FEE AND COMMISSION EXPENSES	(625)	(731)	(611)	(617)
NET GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES	978	457	794	814
NET EXCHANGE DIFFERENCES	173	526	515	388
OTHER OPERATING INCOME	2,242	2,339	2,554	2,441
OTHER OPERATING EXPENSES	(2,552)	(2,868)	(2,711)	(3,122)
GROSS INCOME	**10,082**	**10,643**	**10,604**	**10,148**
ADMINISTRATION COSTS	(4,542)	(4,872)	(4,833)	(4,868)
Personnel expenses	(2,638)	(2,772)	(2,808)	(2,780)
General and administrative expenses	(1,905)	(2,099)	(2,025)	(2,088)
DEPRECIATION AND AMORTIZATION	(548)	(597)	(535)	(560)
PROVISIONS (NET)	(433)	(709)	(273)	(336)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	(2,126)	(2,214)	(2,635)	(2,977)
NET OPERATING INCOME	**2,433**	**2,251**	**2,328**	**1,407**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	(98)	(199)	(214)	(253)
GAINS (LOSSES) ON DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	14	32	693	(2,608)
NEGATIVE GOODWILL	-	-	-	-
GAINS (LOSSES) IN NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	(281)	(172)	(309)	(90)
INCOME BEFORE TAX	**2,067**	**1,913**	**2,498**	**(1,544)**
INCOME TAX	(524)	(374)	(601)	617
INCOME FROM CONTINUING TRANSACTIONS	1,544	1,538	**1,897**	**(927)**
INCOME FROM DISCONTINUED TRANSACTIONS (NET)	-	-	1,393	473
NET INCOME	**1,544**	**1,538**	**3,290**	**(454)**
Net Income attributed to parent company	1,328	1,290	2,882	(798)
Net income attributed to non-controlling interests	215	249	408	345

	Euros			
EARNINGS PER SHARE	Six months ended June 30, 2014	Six months ended December 31, 2014	Six months ended June 30, 2013	Six months ended December 31, 2013
Basic earnings per share	0.23	0.22	0.51	(0.16)
Diluted earnings per share	0.23	0.22	0.51	(0.17)

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX IX Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

Balance sheets as of December 31, 2014 and 2013 of BBVA, S.A.

	Millions of Euros	
ASSETS	**December 2014**	**December 2013**
CASH AND BALANCES WITH CENTRAL BANKS	**9,262**	**12,085**
FINANCIAL ASSETS HELD FOR TRADING	**64,495**	**56,631**
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Debt securities	15,590	13,425
Other equity instruments	4,264	4,148
Trading derivatives	44,641	39,058
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**-**
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Debt securities	-	-
Other equity instruments	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**53,709**	**43,301**
Debt securities	47,393	38,151
Other equity instruments	6,316	5,150
LOANS AND RECEIVABLES	**230,724**	**230,523**
Loans and advances to credit institutions	23,813	20,410
Loans and advances to customers	203,865	208,313
Debt securities	3,046	1,800
HELD-TO-MATURITY INVESTMENTS	**-**	**-**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**121**	**99**
HEDGING DERIVATIVES	**2,112**	**2,307**
NON-CURRENT ASSETS HELD FOR SALE	**2,771**	**2,195**
INVESTMENTS	**26,153**	**25,602**
Associates	261	818
Jointly controlled entities	3,948	3,865
Group entities	21,944	20,919
INSURANCE CONTRACTS LINKED TO PENSIONS	**2,189**	**1,989**
TANGIBLE ASSETS	**1,539**	**1,651**
Property, plants and equipment	**1,534**	**1,646**
For own use	1,534	1,646
Other assets leased out under an operating lease	-	-
Investment properties	**5**	**5**
INTANGIBLE ASSETS	**874**	**927**
Goodwill	-	-
Other intangible assets	874	927
TAX ASSETS	**8,385**	**8,664**
Current	986	1,402
Deferred	7,399	7,262
OTHER ASSETS	**1,507**	**1,078**
TOTAL ASSETS	**403,841**	**387,052**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Balance sheets as of December 31, 2014 and 2013 of BBVA, S.A.

	Millions of Euros	
LIABILITIES AND EQUITY	**December 2014**	**December 2013**
FINANCIAL LIABILITIES HELD FOR TRADING	**50,976**	**43,599**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates	-	-
Trading derivatives	43,826	38,531
Short positions	7,150	5,068
Other financial liabilities	-	-
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**-**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates	-	-
Subordinated liabilities	-	-
Other financial liabilities	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**305,036**	**301,120**
Deposits from central banks	18,400	25,487
Deposits from credit institutions	58,091	42,920
Customer deposits	187,731	188,013
Debt certificates	26,754	33,787
Subordinated liabilities	7,701	5,106
Other financial liabilities	6,359	5,807
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**-**	**-**
HEDGING DERIVATIVES	**1,959**	**1,507**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	**-**
PROVISIONS	**6,157**	**5,782**
Provisions for pensions and similar obligations	5,267	4,878
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments	238	221
Other provisions	652	683
TAX LIABILITIES	**1,655**	**978**
Current	29	-
Deferred	1,626	978
OTHER LIABILITIES	**1,444**	**1,474**
TOTAL LIABILITIES	**367,227**	**354,460**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Balance sheets as of December 31, 2014 and 2013 of BBVA, S.A.

LIABILITIES AND EQUITY (Continued)	Millions of Euros December 2014	Millions of Euros December 2013
STOCKHOLDERS' EQUITY	**34,923**	**32,708**
Common Stock	**3,024**	**2,835**
Issued	3,024	2,835
Less: Unpaid and uncalled (-)	-	-
Share premium	**23,992**	**22,111**
Reserves	**7,642**	**7,244**
Other equity instruments	**47**	**43**
Equity component of compound financial instruments	-	-
Other equity instruments	47	43
Less: Treasury stock (-)	**(46)**	**(20)**
Net Income	**1,105**	**1,263**
Less: Dividends and remuneration (-)	**(841)**	**(768)**
VALUATION ADJUSTMENTS	**1,691**	**(116)**
Available-for-sale financial assets	1,781	(52)
Cash flow hedging	(82)	(45)
Hedges of net investments in foreign operations	-	-
Exchange differences	12	1
Non-current assets held-for-sale	-	-
Other valuation adjustments	(20)	(20)
TOTAL EQUITY	**36,614**	**32,592**
TOTAL LIABILITIES AND EQUITY	**403,841**	**387,052**

MEMORANDUM ITEM	Millions of Euros December 2014	Millions of Euros December 2013
CONTINGENT EXPOSURES	**45,137**	**47,961**
CONTINGENT COMMITMENTS	**53,968**	**53,412**

Income Statements for the year ended December 31, 2014 and 2013 of BBVA, S.A.

	Millions of Euros	
	December 2014	**December 2013**
INTEREST AND SIMILAR INCOME	6,763	7,877
INTEREST AND SIMILAR EXPENSES	(3,493)	(4,589)
NET INTEREST INCOME	**3,270**	**3,288**
DIVIDEND INCOME	2,848	2,257
FEE AND COMMISSION INCOME	1,773	1,775
FEE AND COMMISSION EXPENSES	(308)	(332)
NET GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES	1,154	1,125
Financial instruments held for trading	(8)	328
Other financial instruments at fair value through profit or loss	-	-
Other financial instruments not at fair value through profit or loss	1,162	797
Other	-	-
EXCHANGE DIFFERENCES (NET)	109	195
OTHER OPERATING INCOME	120	131
OTHER OPERATING EXPENSES	(433)	(641)
GROSS INCOME	**8,533**	**7,798**
ADMINISTRATION COSTS	(3,664)	(3,877)
Personnel expenses	(2,194)	(2,352)
General and administrative expenses	(1,470)	(1,525)
DEPRECIATION AND AMORTIZATION	(517)	(502)
PROVISION (NET)	(872)	(730)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	(1,868)	(3,254)
Loans and receivables	(1,857)	(3,224)
Other financial instruments not at fair value through profit or loss	(11)	(30)
NET OPERATING INCOME	**1,612**	**(565)**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	40	145
Goodwill and other intangible assets	-	-
Other assets	40	145
GAINS (LOSSES) ON DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	(1)	(127)
NEGATIVE GOODWILL	-	-
GAINS (LOSSES) IN NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	**(371)**	**(370)**
INCOME BEFORE TAX	**1,280**	**(917)**
INCOME TAX	(175)	1,119
INCOME FROM CONTINUING TRANSACTIONS	**1,105**	**202**
INCOME FROM DISCONTINUED TRANSACTIONS (NET)	-	1,061
NET INCOME FOR THE PERIOD	**1,105**	**1,263**

Statements of Recognized Income and Expenses for theyear ended December 31, 2014 and 2013 of BBVA, S.A.

	Millions of Euros	
	December 2014	December 2013
NET INCOME FOR THE PERIOD	**1,105**	**1,263**
OTHER RECOGNIZED INCOME (EXPENSES)	**1,807**	**861**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO P&L	**-**	**(2)**
Actuarial gains and losses from defined benefit pension plans	-	(3)
Non-current assets available for sale	-	-
Income tax related to items not subject to reclassification to p&l	-	1
ITEMS SUBJECT TO RECLASSIFICATION TO P&L	**1,807**	**863**
Available-for-sale financial assets	**2,770**	**1,294**
Valuation gains/(losses)	3,124	1,360
Amounts removed to income statement	(354)	(66)
Reclassifications	-	-
Cash flow hedging	**(53)**	**(8)**
Valuation gains/(losses)	(53)	(7)
Amounts removed to income statement	-	(1)
Amounts removed to the initial carrying amount of the hedged	-	-
Reclassifications	-	-
Hedges of net investment in foreign operations	**-**	**-**
Valuation gains/(losses)	-	-
Amounts removed to income statement	-	-
Reclassifications	-	-
Exchange differences	**16**	**(17)**
Valuation gains/(losses)	17	1
Amounts removed to income statement	(1)	(18)
Reclassifications	-	-
Non-current assets held for sale	**-**	**-**
Valuation gains/(losses)	-	-
Amounts removed to income statement	-	-
Reclassifications	-	-
Rest of recognized income and expenses	**-**	**-**
Income tax	**(926)**	**(406)**
TOTAL RECOGNIZED INCOME/EXPENSES	**2,912**	**2,124**

Statement of Changes in Equity for the year ended December 31, 2014 of BBVA, S.A.

	Millions of Euros									
	Stockholder's Equity									
December 2014	Common Stock	Share premium	Reserves	Other Equity Instruments	Less: Treasury Stock	Profit for the Period	Less: Dividends and Remunerations	Total Stockholders' Equity	Valuation Adjustments	Total Equity
Balances as of January 1, 2014	**2,835**	**22,111**	**7,384**	**43**	**(20)**	**1,406**	**(768)**	**32,991**	**(116)**	**32,875**
Effect of changes in accounting policies (*)	-	-	(140)	-	-	(143)	-	(283)	-	(283)
Effect of correction of errors (*)	-	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**2,835**	**22,111**	**7,244**	**43**	**(20)**	**1,263**	**(768)**	**32,708**	**(116)**	**32,592**
Total income/expense recognized	-	-	-	-	-	**1,105**	-	**1,105**	**1,807**	**2,912**
Other changes in equity	**189**	**1,881**	**398**	**4**	**(26)**	**(1,263)**	**(73)**	**1,110**	-	**1,110**
Common stock increase	189	1,881	(70)	-	-	-	-	2,000	-	2,000
Common stock reduction	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-
Increase of other equity instruments	-	-	-	34	-	-	-	34	-	34
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(597)	(597)	-	(597)
Transactions including treasury stock and other equity instruments (net)	-	-	(7)	-	(26)	-	-	(33)	-	(33)
Transfers between total equity entries	-	-	499	(4)	-	(1,263)	768	-	-	-
Increase/Reduction due to business combinations	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Rest of increase/reductions in total equity	-	-	(24)	(26)	-	-	(244)	(294)	-	(294)
Of which:									-	
Acquisition of the free allotment rights	-	-	-	-	-	-	(244)	(244)	-	(244)
Balances as of December 31, 2014	**3,024**	**23,992**	**7,642**	**47**	**(46)**	**1,105**	**(841)**	**34,923**	**1,691**	**36,614**

(*) Balances as of December 31, 2013, as previously published (see Note 1.3)

Statement of Changes in Equity for the year ended December 31, 2013 of BBVA, S.A.

	Millions of Euros									
	Stockholder's Equity									
December 2013	Common Stock	Share premium	Reserves	Other Equity Instruments	Less: Treasury Stock	Profit for the Period	Less: Dividends and Remunerations	Total Stockholders' Equity	Valuation Adjustments	Total Equity
Balances as of January 1, 2013	**2,670**	**20,968**	**7,049**	**43**	**(41)**	**1,428**	**(1,334)**	**30,783**	**(977)**	**29,806**
Effect of changes in accounting policies (*)	-	-	(123)	-	-	(17)	-	(140)	-	(140)
Effect of correction of errors (*)	-	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**2,670**	**20,968**	**6,926**	**43**	**(41)**	**1,411**	**(1,334)**	**30,643**	**(977)**	**29,666**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**1,263**	**-**	**1,263**	**861**	**2,124**
Other changes in equity	**165**	**1,143**	**318**	**-**	**21**	**(1,411)**	**566**	**802**	**-**	**802**
Common stock increase	71	-	(71)	-	-	-	-	-	-	-
Common stock reduction	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	94	1,143	-	-	-	-	-	1,237	-	1,237
Increase of other equity instruments	-	-	-	27	-	-	-	27	-	27
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(607)	(607)	-	(607)
Transactions including treasury stock and other equity instruments (net)	-	-	-	-	21	-	-	21	-	21
Transfers between total equity entries	-	-	90	(13)	-	(1,411)	1,334	-	-	-
Increase/Reduction due to business combinations	-	-	308	-	-	-	-	308	-	308
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Rest of increase/reductions in total equity	-	-	(9)	(14)	-	-	(161)	(184)	-	(184)
Of which:	-	-	-	-	-	-	-		-	
Acquisition of the free allotment rights	-	-	-	-	-	-	(161)	(161)	-	(161)
Balances as of December 31, 2013	**2,835**	**22,111**	**7,244**	**43**	**(20)**	**1,263**	**(768)**	**32,708**	**(116)**	**32,592**

(*) Balances as of December 31, 2012, as previously published (see Note 1.3)

Cash Flows Statements for the year ended December 31, 2014 and 2013 of BBVA, S.A.

	Millions of Euros	
	December 2014	**December 2013**
CASH FLOW FROM OPERATING ACTIVITIES [1]	**(4,709)**	**3,912**
Profit for the period	**1,105**	**1,263**
Adjustments to obtain the cash flow from operating activities:	**4,749**	**3,885**
Amortization	517	502
Other adjustments	4,232	3,383
Net increase/decrease in operating assets	**(18,714)**	**(13,597)**
Financial assets held for trading	(7,864)	(7,139)
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	(10,408)	10,203
Loans and receivables	(201)	(6,506)
Other operating assets	(241)	(10,155)
Net increase/decrease in operating liabilities	**7,976**	**(13,798)**
Financial liabilities held for trading	7,377	(9,835)
Other financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortized cost	1,250	(4,388)
Other operating liabilities	(651)	425
Collection/Payments for income tax	**175**	**(1,035)**
CASH FLOWS FROM INVESTING ACTIVITIES [2]	**(1,711)**	**(3,101)**
Investment	**2,194**	**6,957**
Tangible assets	156	517
Intangible assets	265	498
Investments	714	4,895
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	1,059	1,047
Held-to-maturity investments	-	-
Other settlements related to investing activities	-	-
Divestments	**483**	**3,856**
Tangible assets	14	28
Intangible assets	-	-
Investments	147	1,359
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	322	2,030
Held-to-maturity investments	-	439
Other collections related to investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES [3]	**3,749**	**168**

CASH FLOWS STATEMENTS (Continued)	Millions of Euros December 2014	 December 2013
CASH FLOWS FROM FINANCING ACTIVITIES [3]	**3,749**	**168**
Investment	**4,108**	**3,735**
Dividends	772	1,313
Subordinated liabilities	678	88
Treasury stock amortization	-	-
Treasury stock acquisition	2,658	2,325
Other items relating to financing activities	-	9
Divestments	**7,857**	**3,903**
Subordinated liabilities	3,015	1,559
Common stock increase	2,000	-
Treasury stock disposal	2,623	2,344
Other items relating to financing activities	219	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS [4]	**(152)**	**27**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**(2,823)**	**1,006**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**12,085**	**11,079**
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**9,262**	**12,085**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE PERIOD	Millions of Euros December 2014	 December 2013
Cash	726	659
Balance of cash equivalent in central banks	8,536	11,426
Other financial assets	-	-
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**9,262**	**12,085**

APPENDIX X Information on data derived from the special accounting registry

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

a) Mortgage market policies and procedures

The Bank has express policies and procedures in place regarding its activities in the mortgage market, which provide for full compliance with applicable regulations.

The mortgage origination policy is based in principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system, and even those from an estimate of their current expenses deduced from socio-demographic information. 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. If an appropriate level is not exceeded, additional collateral is required to reinforce the transaction's hedging. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted by BBVA staff and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Group's Finance Division annually defines the wholesale finance issue strategy, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee ("ALCO") tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and market conditions.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificate and/or Mortgage Participation issued by BBVA to securitize loans and mortgage loans, as well as the establishment of a Base Prospectus for the issue of fixed-income securities through which the mortgage-covered bonds are implemented, based on the agreements for the issue of fixed-income securities approved by the Annual General Meeting.

As established in article 24 of Royal Decree 716/2009, the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible and are not covered by the issue of Mortgage Bonds, Mortgage Participations or Mortgage Transfer Certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans must: (i) be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for home mortgages, and 60% for other mortgage lending; (iii) be established on assets exclusively and wholly owned by the mortgagor; (iv) have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked 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.

b.1) Assets operation

		Millions of Euros	
Mortgage loans. Eligibility for the purpose of the mortgage market.		**December 2014**	**December 2013**
Nominal value of outstanding loans and mortgage loans	(A)	104,217	108,962
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.	(B)	(24,390)	(21,551)
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**(A)-(B)**	**79,827**	**87,411**
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.	(C)	42,920	58,742
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.	(D)	(2,738)	(3,590)
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	**(C)-(D)**	**40,182**	**55,152**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	(E)	32,145	44,122
Issued Mortgage-covered bonds	**(F)**	**29,958**	**40,865**
Outstanding Mortgage-covered bonds		**27,210**	**39,169**
Capacity to issue mortgage-covered bonds	(E)-(F)	2,187	3,257
Memorandum items:		-	
Percentage of overcollateralization across the portfolio		266%	214%
Percentage of overcollateralization across the eligible used portfolio		134%	135%
Nominal value of available sums (committed and unused) from all loans and mortgage loans.		1,900	1,633
Of which:			
Potentially eligible		1,322	1,365
Ineligible		578	268
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.		30,810	23,698
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 December 2014	December 2013
Total loans	(1)	**104,217**	**108,962**
Issued mortgage participations	(2)	**3**	**12**
Of which: recognized on the balance sheet		-	-
Issued mortgage transfer certificates	(3)	**24,387**	**21,539**
Of which: recognized on the balance sheet		24,345	21,492
Mortgage loans as collateral of mortgages bonds	(4)	-	-
Loans supporting the issuance of mortgage-covered bonds	1-2-3-4	**79,827**	**87,411**
Non elegible loans		36,907	28,669
Comply requirements to be elegible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		30,810	23,698
Rest		6,097	**4,971**
Elegible loans		42,920	58,742
That can not be used as collateral for issuances		2,738	3,590
That can be used as collateral for issuances		40,182	55,152
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		40,182	55,152

Mortgage loans. Classification of the nominal values according to different characteristics	Millions of Euros December 2014 Total mortgage loans	Eligible Loans(*)	Elegibles that can be used as collateral for issuances (**)	December 2013 Total mortgage loans	Eligible Loans(*)	Elegibles that can be used as collateral for issuances (**)
TOTAL	**79,827**	**42,920**	**40,182**	**87,411**	**58,742**	**55,152**
By source of the operations	-	-	-			
Originated by the bank	69,794	35,600	32,945	78,194	49,963	46,460
Subrogated by other institutions	928	703	698	1,153	1,026	1,019
Rest	9,105	6,617	6,539	8,064	7,753	7,673
By Currency	-	-	-			
In euros	79,462	42,920	40,182	87,033	58,557	54,977
In foreign currency	365	-	-	378	185	175
By payment situation	-	-	-			
Normal payment	59,012	35,268	34,509	65,459	48,784	47,690
Other situations	20,815	7,652	5,673	21,952	9,958	7,462
By residual maturity	-	-	-			
Up to 10 years	18,434	10,733	9,377	17,574	10,640	9,155
10 to 20 years	24,768	17,939	17,276	25,736	20,278	19,400
20 to 30 years	23,027	10,619	10,030	27,956	19,962	18,957
Over 30 years	13,598	3,629	3,499	16,145	7,862	7,640
By Interest Rate	-	-	-			
Fixed rate	3,211	863	687	2,706	947	731
Floating rate	76,616	42,057	39,495	84,705	57,795	54,421
Mixed rate	-	-	-	-	-	-
By Target of Operations	-	-	-			
For business activity	22,483	7,232	5,065	21,414	8,042	5,204
From w ich: public housing	10,421	2,519	875	10,345	3,574	1,245
For households	57,344	35,688	35,117	65,997	50,700	49,948
By type of guarantee	-	-	-			
Secured by completed assets/buildings	**72,770**	**41,565**	**39,471**	**80,528**	**57,156**	**54,367**
Residential use	63,083	37,547	36,038	71,039	53,209	50,993
From w ich: public housing	6,253	3,845	3,536	7,463	6,747	6,273
Commercial	9,687	4,018	3,433	9,182	3,947	3,374
Other	-	-	-	307	-	-
Secured by assets/buildings under construction	**2,350**	**380**	**262**	**2,547**	**546**	**350**
Residential use	1,888	261	163	2,083	411	240
From w ich: public housing	100	7	3	126	78	42
Commercial	462	119	99	464	135	110
Other	-	-	-	-	-	-
Secured by land	**4,707**	**975**	**449**	**4,336**	**1,040**	**435**
Urban	2,021	442	135	1,753	482	131
Non-urban	2,686	533	314	2,583	558	304

(*) 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 2014 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	9,518	13,848	14,617		37,983
Other mortgages	2,454	2,483			4,937
Total	**11,972**	**16,331**	**14,617**	**-**	**42,920**

December 2013 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	12,561	18,939	22,012	-	53,512
Other mortgages	2,478	2,752			5,230
Total	**15,039**	**21,691**	**22,012**	**-**	**58,742**

Elegible and non elegible mortgage loans. Changes of the nominal values in the period	Millions of Euros December 2014 Eligible Loans (*)	Non eligible	Millions of Euros December 2013 Eligible Loans (*)	Non eligible
Balance at the begining	**58,742**	**28,669**	**69,598**	**14,147**
Retirements	**17,832**	**5,901**	**24,428**	**4,587**
Held-to-maturity cancellations	5,055	3,231	5,784	2,468
Anticipated cancellations	342	606	1,477	421
Subrogations to other institutions	-	-	5	1
Rest	12,435	2,064	17,162	1,697
Additions	**2,010**	**14,139**	**13,572**	**19,109**
Acquisition of Unnim	-	-	10,958	2,753
Originated by the bank	1,819	3,382	2,516	3,647
Subrogations to other institutions	5	3	12	4
Rest	186	10,754	86	12,705
Balance at the end	**42,920**	**36,907**	**58,742**	**28,669**

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

Mortgage loans supporting the issuance of mortgage-covered bonds Nominal value.	Millions of Euros December 2014	December 2013
Potentially eligible	1,322	1,365
Ineligible	578	268
Total	**1,900**	**1,633**

b.2) Liabilities operations

	Millions of Euros			
	December 2014		December 2013	
Issued Mortgage Bonds	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	-		-	
Mortgage-covered bonds	**29,958**		**40,865**	
Of which:Non recognized as liabilities on balance	2,748		39,169	
Of Which: outstanding	27,210		7,810	
Debt securities issued through public offer	22,620		28,027	
Residual maturity up to 1 year	3,598		6,407	
Residual maturity over 1 year and less than 2 years	4,500		3,598	
Residual maturity over 2 years and less than 3 years	6,772		4,500	
Residual maturity over 3 years and less than 5 years			6,772	
Residual maturity over 5 years and less than 10 years	5,550		4,550	
Residual maturity over 10 years	2,200		2,200	
Debt securities issued without public offer	2,272		7,227	
Residual maturity up to 1 year	-		200	
Residual maturity over 1 year and less than 2 years	-		-	
Residual maturity over 2 years and less than 3 years	150		-	
Residual maturity over 3 years and less than 5 years	-		150	
Residual maturity over 5 years and less than 10 years	2,000		2,500	
Residual maturity over 10 years	122		4,377	
Deposits	5,066		5,611	
Residual maturity up to 1 year	993		530	
Residual maturity over 1 year and less than 2 years	1,064		993	
Residual maturity over 2 years and less than 3 years	460		1,079	
Residual maturity over 3 years and less than 5 years	815		1,099	
Residual maturity over 5 years and less than 10 years	843		1,019	
Residual maturity over 10 years	891		891	
Mortgage participations	-		-	-
Mortgage transfer certificates	**24,345**	**289**	**21,492**	**287**
Issued through public offer	24,345	289	21,492	287
Issued without public offer	-	-	-	-

(*) Including mortgage-covered bonds hold by the BBVA Group's companies

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

APPENDIX XI Other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on the concentration of risk by activity

Loans and advances to customers by activity (carrying amount)

				Millions of Euros				
				Collateralized Credit Risk. Loan to value				
December 2014	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%
1 Government agencies	38,765	2,279	4,082	389	348	448	2,005	3,171
2 Other financial institutions	16,516	649	9,951	623	371	155	8,801	650
3 Non-financial institutions and individual entrepreneurs	133,577	33,185	16,878	13,780	9,955	11,390	6,826	8,112
3.1 Construction and property development	11,896	10,697	784	2,143	2,229	2,873	1,959	2,277
3.2 Construction of civil works	6,252	1,182	609	368	327	416	368	312
3.3 Other purposes	115,429	21,306	15,485	11,269	7,399	8,101	4,499	5,523
3.3.1 Large companies	75,808	8,060	11,470	4,874	3,861	5,509	2,899	2,387
3.3.2 SMEs and individual entrepreneurs	39,621	13,246	4,015	6,395	3,538	2,592	1,600	3,136
4 Rest of households and NPISHs	152,533	111,298	7,950	22,050	28,301	40,428	16,448	12,021
4.1 Housing	107,549	105,542	437	18,586	25,956	37,079	14,127	10,231
4.2 Consumption	28,642	2,707	5,832	2,106	1,517	2,322	1,698	896
4.3 Other purposes	16,342	3,049	1,681	1,358	828	1,027	623	894
SUBTOTAL	341,391	147,411	38,861	36,842	38,975	52,421	34,080	23,954
5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations	2,606							
6 TOTAL	338,785	147,411	38,861	36,842	38,975	52,421	34,080	23,954
MEMORANDUM:								
Forbereance operations	24,218	17,088	1,444	2,807	2,298	3,102	3,250	7,075

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

Millions of Euros

December 2013	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Collateralized Credit Risk. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
1 Government agencies	34,152	355	2,233	180	91	206	261	1,850
2 Other financial institutions	8,637	50	49	12	23	31	32	-
3 Non-financial institutions and individual entrepreneurs	133,593	31,258	16,996	15,751	9,352	9,813	7,089	6,251
3.1 Construction and property development	6,008	5,896	111	1,490	1,264	1,359	711	1,183
3.2 Construction of civil works	5,659	1,153	559	653	280	187	238	354
3.3 Other purposes	121,926	24,209	16,326	13,607	7,809	8,267	6,139	4,714
3.3.1 Large companies	74,290	8,685	3,267	4,223	2,552	1,505	1,549	2,123
3.3.2 SMEs (**) and individual entrepreneurs	47,636	15,524	13,059	9,384	5,257	6,762	4,590	2,591
4 Rest of households and NPISHs (***)	149,717	110,442	3,629	23,477	28,878	40,128	14,026	7,561
4.1 Housing	115,337	108,992	359	22,333	28,045	38,882	12,783	7,309
4.2 Consumption	29,430	464	2,965	636	500	1,056	1,123	114
4.3 Other purposes	4,950	986	305	508	333	191	120	139
SUBTOTAL	326,099	142,105	22,907	39,419	38,345	50,179	21,408	15,662
5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations	2,385							
6 TOTAL	323,714	142,105	22,907	39,419	38,345	50,179	21,408	15,662
MEMORANDUM:								
Forbereance operations	23,994	18,032	419	3,418	2,404	3,156	3,572	5,901

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

b) Quantitative information on the concentration of risk by activity and geographical areas.

	Millions of Euros				
December 2014	**TOTAL(*)**	**Spain**	**European Union Other**	**America**	**Other**
Credit institutions	79,081	13,764	41,614	16,454	7,249
Government agencies	139,222	71,274	13,540	53,718	690
Central Administration	94,079	43,114	13,036	37,391	538
Other	45,143	28,160	504	16,327	152
Other financial institutions	41,477	14,639	11,811	14,772	255
Non-financial institutions and individual entrepreneurs	182,632	70,830	23,399	82,737	5,666
Construction and property development	16,468	6,946	69	9,447	6
Construction of civil works	9,436	4,025	1,615	3,723	73
Other purposes	156,728	59,859	21,715	69,567	5,587
Large companies	106,448	41,167	19,189	41,337	4,755
SMEs and individual entrepreneurs	50,280	18,692	2,526	28,230	832
Other households and NPISHs	154,287	83,501	3,438	67,109	239
Housing	109,046	74,799	2,766	31,278	203
Consumer	28,642	5,699	562	22,378	3
Other purposes	16,599	3,003	110	13,453	33
SUBTOTAL	596,699	254,008	93,802	234,790	14,099
Less: Valuation adjustments due to impairment of assets not attributable to specific operations	2,629	-	-	-	-
TOTAL	**594,070**	**254,008**	**93,802**	**234,790**	**14,099**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Other equity securities, Trading derivatives, Hedging derivatives, Investments and Contingent risks. The amounts included in this table are net of impairment losses.

	Millions of Euros				
December 2013	**TOTAL(*)**	**Spain**	**European Union Other**	**America**	**Other**
Credit institutions	62,068	15,689	28,893	8,241	9,245
Government agencies	112,738	61,343	8,797	41,629	970
Central Administration	80,847	35,255	8,291	36,540	761
Other	31,891	26,088	506	5,088	209
Other financial institutions	44,059	13,574	13,433	16,156	896
Non-financial institutions and individual entrepreneurs	175,887	77,291	21,687	71,360	5,549
Construction and property development	13,019	8,440	159	4,419	0
Construction of civil works	8,886	4,293	2,056	2,455	82
Other purposes	153,983	64,558	19,472	64,486	5,467
Large companies	98,967	43,550	16,841	33,949	4,626
SMEs and individual entrepreneurs	55,016	21,008	2,631	30,537	841
Other households and NPISHs	152,003	88,414	3,775	59,512	302
Housing	115,341	82,130	2,788	30,199	224
Consumer	29,604	2,640	492	26,469	3
Other purposes	7,058	3,645	494	2,844	75
SUBTOTAL	546,756	256,311	76,585	196,898	16,961
Less: Valuation adjustments due to impairment of assets not attributable to specific operations	2,698	-	-	-	-
TOTAL	**544,058**	**256,311**	**76,585**	**196,898**	**16,961**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Other equity securities, Trading derivatives, Hedging derivatives, Investments and Contingent risks. The amounts included in this table are net of impairment losses.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX XII Information in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014

In accordance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD), and its application to Spanish Law through Law 10/2014 of Structuring, Supervision and Solvency of Financial Institutions of June 26, the information required under article 87.1 of said law for the year ended December 31, 2014 is provided below.

December 31, 2014 — Millions of Euros

Country	CIT payments cash basis	CIT expense consol	PBT consol	Turnover	Nº Employees (*)	Activity	Main Entity
Spain	20	(350)	(1,618)	6,016	28,033	Financial, banking and insurance services and real estate	BBVA, SA
France	11	21	59	89	80	Financial services	BBVA Paris Branch
Germany	10	-	27	46	47	Financial services	BBVA Frankfurt Branch
Hong Kong	2	5	15	43	128	Financial services	BBVA HONG KONG Branch
Ireland	2	2	16	15	5	Financial, banking and insurance services	BBVA Ireland PLC
Italy	30	28	86	128	79	Financial services	BBVA Milán Branch
Luxembourg	-	-	(2)	-	3	Financial services	BBVA Luxinvest, SA
Portugal	4	(57)	(57)	98	688	Financial services	BBVA Portugal, SA
Switzerland	8	3	17	49	131	Financial services	BBVA Switzerland, SA
United Kingdom	7	9	43	116	163	Financial services	BBVA London Branch
Argentina	113	136	418	995	5,261	Financial and banking services	BBVA Banco Francés, SA
Chile	58	(15)	184	653	4,566	Financial, banking and insurance services	BBVA Chile, SA
Colombia	114	121	398	951	6,331	Financial, banking and insurance services	BBVA Colombia
Paraguay	7	3	25	68	481	Financial and banking services	BBVA Paraguay, SA
Peru	119	138	499	995	5,952	Financial and banking services	Banco Continental, SA
Uruguay	13	8	27	130	639	Financial and banking services	BBVA Uruguay, SA
Venezuela	51	102	396	1,361	5,363	Financial, banking and insurance services	Banco Provincial, SA
Mexico	663	617	2,497	6,433	37,149	Financial, banking and insurance services	BBVA Bancomer, SA
United States	134	123	544	2,104	10,428	Financial, banking and insurance services	Compass Bank Inc.
Bolivia	1	-	2	16	291	Financial services	BBVA Previsión AFP SA
Belgium	-	-	2	11	34	Financial services	BBVA Brussels Branch
Others (**)	112	4	402	409	109	Financial, banking and insurance services	
Total	1,479	898	3,980	20,725	105,961		

(*) Number of full-time employees.

(**) Includes: Netherlands, Curaçao, representative offices and branches in Asia except Hong Kong, and the share of profit or loss of Garanti Group and CIFH accounted for using the equity method.

As of December 31, 2014, the return of the Group's assets calculated by dividing the "Profit" between "Total Assets" is 0.49%.

In 2014 (*), BBVA group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant. This statement is made for the purposes of article 89 of Directive 2013/36/UE of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

(*) BBVA disclosed by means of public relevant events: (i) on 07/27/2012 the closing of the acquisition of UNNIM Banc, S.A. and (ii) on 07/21/2014 the execution of a share purchase agreement with FROB (Fondo de Reestructuración Ordenada Bancaria) for the acquisition of Catalunya Banc, S.A. (the closing of this transaction is subject to the fulfillment of the conditions precedent mentioned in the referred public relevant event).

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Appendix XIII Conciliation of the Consolidated Balance Sheet and the Consolidated Income Statements for 2013 and 2012.

The conciliation of Balance sheet and income statements for comparative purposes is shown as follows (see Note 1.3).

	Millions of Euros		
ASSETS	2013 Restated	Adjustment	December 2013 Before restatement
CASH AND BALANCES WITH CENTRAL BANKS	34,903	-	34,903
FINANCIAL ASSETS HELD FOR TRADING	72,112	-	72,112
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,413	-	2,413
AVAILABLE-FOR-SALE FINANCIAL ASSETS	77,774	-	77,774
LOANS AND RECEIVABLES	350,945	-	350,945
HELD-TO-MATURITY INVESTMENTS	-	-	-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	98	-	98
HEDGING DERIVATIVES	2,530	-	2,530
NON-CURRENT ASSETS HELD FOR SALE	2,880	-	2,880
EQUITY METHOD	4,742	-	4,742
INSURANCE CONTRACTS LINKED TO PENSIONS	-	-	-
REINSURANCE ASSETS	619	-	619
TANGIBLE ASSETS	7,534	-	7,534
INTANGIBLE ASSETS	6,759	-	6,759
TAX ASSETS	11,704	122	11,582
OTHER ASSETS	7,684	-	7,684
TOTAL ASSETS	582,697	122	582,575

	Millions of Euros		
LIABILITIES AND EQUITY	2013 Restated	Adjustment	December 2013 Before restatement
FINANCIAL LIABILITIES HELD FOR TRADING	45,648	-	45,648
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,467	-	2,467
FINANCIAL LIABILITIES AT AMORTIZED COST	464,549	407	464,141
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
HEDGING DERIVATIVES	1,792	-	1,792
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-	-
LIABILITIES UNDER INSURANCE CONTRACTS	9,834	-	9,834
PROVISIONS	6,853	-	6,853
TAX LIABILITIES	2,530	-	2,530
OTHER LIABILITIES	4,460	-	4,460
TOTAL LIABILITIES	538,133	407	537,725

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

LIABILITIES AND EQUITY (*Continued*)	Millions of Euros 2013 Restated	 Adjustment	 December 2013 Before restatement
STOCKHOLDERS' FUNDS	**46,025**	**(285)**	**46,310**
Common Stock	2,835	-	2,835
Share premium	22,111	-	22,111
Reserves	19,767	(141)	19,908
Other equity instruments	59	-	59
Less: Treasury stock	(66)	-	(66)
Income attributed to the parent company	2,084	(144)	2,228
Less: Dividends and remuneration	(765)	-	(765)
VALUATION ADJUSTMENTS	**(3,831)**	-	**(3,831)**
NON-CONTROLLING INTEREST	**2,371**	-	**2,371**
TOTAL EQUITY	**44,565**	**(285)**	**44,850**
TOTAL LIABILITIES AND EQUITY	**582,697**	**122**	**582,575**

MEMORANDUM ITEM	Millions of Euros 2013 Restated	 Adjustment	 December 2013 Before restatement
CONTINGENT RISKS	**33,543**	-	**33,543**
CONTINGENT COMMITMENTS	**94,170**	-	**94,170**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

		Millions of Euros	
	2013 Restated	Adjustment	December 2013 Before restatement
INTEREST AND SIMILAR INCOME	23,512	-	23,512
INTEREST AND SIMILAR EXPENSES	(9,612)	-	(9,612)
NET INTEREST INCOME	**13,900**	-	**13,900**
DIVIDEND INCOME	235	-	235
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	694	-	694
FEE AND COMMISSION INCOME	5,478	-	5,478
FEE AND COMMISSION EXPENSES	(1,228)	-	(1,228)
LIABILITIES	1,608	-	1,608
EXCHANGE DIFFERENCES (NET)	903	-	903
OTHER OPERATING INCOME	4,995	-	4,995
OTHER OPERATING EXPENSES	(5,833)	(206)	(5,627)
GROSS INCOME	**20,752**	(206)	**20,958**
ADMINISTRATION COSTS	(9,701)	-	(9,701)
DEPRECIATION AND AMORTIZATION	(1,095)	-	(1,095)
PROVISIONS (NET)	(609)	-	(609)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	(5,612)	-	(5,612)
NET OPERATING INCOME	**3,735**	(206)	**3,941**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	(467)	-	(467)
GAINS (LOSSES) ON DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	(1,915)	-	(1,915)
NEGATIVE GOODWILL	-	-	-
GAINS (LOSSES) IN NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	(399)	-	(399)
OPERATING PROFIT BEFORE TAX	**954**	(206)	**1,160**
INCOME TAX	16	62	(46)
PROFIT FROM CONTINUING OPERATIONS	**970**	(144)	**1,114**
PROFIT FROM DISCONTINUED OPERATIONS (NET)	1,866	-	1,866
PROFIT	**2,836**	(144)	**2,981**
Profit attributable to parent company	2,084	(144)	2,228
Profit attributable to non-controlling interests	753	-	753

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

	Millions of Euros		
ASSETS	2012 Restated	Adjustment	December 2012 Before restatement
CASH AND BALANCES WITH CENTRAL BANKS	35,494	-	35,494
FINANCIAL ASSETS HELD FOR TRADING	79,829	-	79,829
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,530	-	2,530
AVAILABLE-FOR-SALE FINANCIAL ASSETS	67,500	-	67,500
LOANS AND RECEIVABLES	371,347	-	371,347
HELD-TO-MATURITY INVESTMENTS	10,162	-	10,162
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	226	-	226
HEDGING DERIVATIVES	4,894	-	4,894
NON-CURRENT ASSETS HELD FOR SALE	4,229	-	4,229
EQUITY METHOD	10,782	-	10,782
INSURANCE CONTRACTS LINKED TO PENSIONS	7	-	7
REINSURANCE ASSETS	50	-	50
TANGIBLE ASSETS	7,572	-	7,572
INTANGIBLE ASSETS	7,132	-	7,132
TAX ASSETS	11,710	60	11,650
OTHER ASSETS	7,668	-	7,668
TOTAL ASSETS	621,132	60	621,072

	Millions of Euros		
LIABILITIES AND EQUITY	2012 Restated	Adjustment	December 2012 Before restatement
FINANCIAL LIABILITIES HELD FOR TRADING	55,834	-	55,834
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,216	-	2,216
FINANCIAL LIABILITIES AT AMORTIZED COST	490,807	202	490,605
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
HEDGING DERIVATIVES	2,968	-	2,968
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	387	-	387
LIABILITIES UNDER INSURANCE CONTRACTS	9,020	-	9,020
PROVISIONS	7,834	-	7,834
TAX LIABILITIES	3,820	-	3,820
OTHER LIABILITIES	4,586	-	4,586
TOTAL LIABILITIES	577,472	202	577,270

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

LIABILITIES AND EQUITY (*Continued*)	2012 Restated	Adjustment	December 2012 Before restatement
	Millions of Euros		
STOCKHOLDERS' FUNDS	43,473	(141)	43,614
Common Stock	2,670	-	2,670
Share premium	20,968	-	20,968
Reserves	19,531	(141)	19,672
Other equity instruments	62	-	62
Less: Treasury stock	(111)	-	(111)
Income attributed to the parent company	1,676	-	1,676
Less: Dividends and remuneration	(1,323)	-	(1,323)
VALUATION ADJUSTMENTS	(2,184)	-	(2,184)
NON-CONTROLLING INTEREST	2,372	-	2,372
TOTAL EQUITY	43,661	(141)	43,802
TOTAL LIABILITIES AND EQUITY	621,132	60	621,072

MEMORANDUM ITEM	2012 Restated	Adjustment	December 2012 Before restatement
	Millions of Euros		
CONTINGENT RISKS	37,019	-	37,019
CONTINGENT COMMITMENTS	90,142	-	90,142

Glossary

Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset is the amount at which it was measured at initial recognition minus principal repayments, plus or minus, as warranted, the cumulative amount taken to profit or loss using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or change in measured value.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Available-for-sale financial assets	Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL.
Basic earnings per share	Calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions and fees	Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: - Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected - Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. - Fees and commissions generated by a single act are accrued upon execution of that act.

Consolidated statements of cash flows	The indirect method has been used for the preparation of the consolidated statement of cash flows. This method starts from the entity's consolidated profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used: - Cash flows: Inflows and outflows of cash and equivalents. Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. - Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. - Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.
Consolidated statements of changes in equity	The consolidated statements of changes in equity reflect all the movements generated in each year in each of the headings of the consolidated equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any. The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 30), are included in the Group's total consolidated equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.
Consolidated statements of recognized income and expenses	The consolidated statements of recognized income and expenses reflect the income and expenses generated each year. Such statement distinguishes between income and expenses recognized in the consolidated income statements and "Other recognized income (expenses)" recognized directly in consolidated equity. "Other recognized income (expenses)" include the changes that have taken place in the year in the "Valuation adjustments" broken down by item. The sum of the changes to the heading "Valuation adjustments" of the consolidated total equity and the consolidated profit for the year comprise the "Total recognized income/expenses of the year".
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 liabilities	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.
Contingent risks	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.

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.
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.
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.
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, are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Diluted earnings per share	This calculation is similar to that used to measure basic earnings per share, except that the weighted average number of shares outstanding is adjusted to reflect the potential dilutive effect of any stock options, warrants and convertible debt instruments outstanding the year. For the purpose of calculating diluted earnings per share, an entity shall assume the exercise of dilutive warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period shall be treated as an issue of ordinary shares for no consideration. Such shares are dilutive and are added to the number of ordinary shares outstanding in the calculation of diluted earnings per share.
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	Eligible capital for regulatory capital adequacy calculations.
Economic profit	This metric measures the part of attributable adjusted profit (attributable profit + adjustment for expected loss, net income and valuation) in excess of the cost of equity employed, and measures the profits generated in excess of market expectations of returns on equity capital. This is used at the management level; for annual public reporting; for incentives in some operating segments; and in the Group's value map.

Effective interest rate	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
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.
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.
Fees	See Commissions, fees and similar items
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 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.
Full 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.
Gains or losses on financial assets and liabilities, net	This heading reflects fair value changes in financial instruments - except for changes attributable to accrued interest upon application of the interest rate method and asset impairment losses (net) recognized in the income statement - as well as gains or losses generated by their sale - except for gains or losses generated by the disposal of investments in subsidiaries, jointly controlled entities and associates an of securities classified as held to maturity.
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.
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.
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.
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").

Impaired/doubtful/non-performing portfolio	Financial assets whose carrying amount is higher than their recoverable value, prompting the entity to recognize the corresponding impairment loss.
Impaired financial assets	A financial asset is deemed impaired, and accordingly restated to fair value, when there is objective evidence of impairment as a result of one or more events that give rise to: - A measurable decrease in the estimated future cash flows since the initial recognition of those assets in the case of debt instruments (loans and receivables and debt securities). - A significant or prolonged drop in fair value below cost in the case of equity instruments.
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 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.
Liabilities associated with non-current assets held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the consolidated entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loans and receivables	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity (amounts of cash available and pending maturity by customers as a loan or deposits lent to other entities, and unlisted debt certificates), as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the consolidated subsidiaries act as lessors.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.
Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the consolidated earnings for the period.
Non-current assets 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 performing contingent risk	The balance of non performing risks, whether for reasons of default by customers or for other reasons as detailed in section II of Annex IX of Bank of Spain Circular 04/2004, for contingent risks. 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 as detailed in section II of Annex IX of Bank of Spain Circular 04/2004, 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.
NPA Coveraged ratio	Impairment allowances (generic, specific and country risk allowance) as a percentage of the non performing assets (the sum of impaired loans and advances to customers and impaired contingent liabilities to customers).
NPA ratio	Represents the sum of impaired loans and advances to customers and impaired contingent liabilities to customers divided by the sum of Loans and advances to customers and Contingent liabilities to customers.
Other equity instruments	This heading reflects the increase in equity resulting from various forms of owner contributions, retained earnings, restatements of the financial statements and valuation adjustments.
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 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.

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.
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.
Provision for credit losses	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.
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.
Public-covered bonds	Financial asset or security backed by the guarantee of the public debt portfolio of the entity.
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.
Renewal Operation	An operation arranged to replace another one granted previously by the entity itself, when the borrower is not experiencing financial difficulties, and is not expected to experience them in the future, i.e. the operation is arranged for reasons other than refinancing.

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.
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.
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.
Reserves	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution. Reserves also include the cumulative effect of adjustments recognized directly in equity as a result of costs in the issue or reduction of own equity instruments, sale of own equity instruments, actuarial gains on pension plans and the retroactive restatement of the financial statements due to changes in accounting policy and the correction of errors.
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.
Separate vehicle	A separately identifiable financial structure, including separate legal entities or entities recognized by statute, regardless of whether those entities have a legal personality.
Share premium	The amount paid in by owners for issued equity in excess of to the shares' nominal value.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.

Significant influence	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 (e.g. 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 (e.g. 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: representation on the board of directors or equivalent governing body of the investee; participation in policy-making processes, including participation in decisions about dividends or other distributions; material transactions between the entity and its investee; interchange of managerial personnel; or provision of essential technical information.
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 by 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.

<table>
<tr><td>Subsidiaries</td><td>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.</td></tr>
<tr><td>Substandard risk</td><td>All debt instruments and contingent risks which do not meet the criteria to be classified individually as non-performing or written-off, but show weaknesses that may entail for the entity the need to assume losses greater than the hedges for impairment of risks subject to special monitoring.</td></tr>
<tr><td>Stockholders' funds</td><td>Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.</td></tr>
<tr><td>Structured credit products</td><td>Special financial instrument backed by other instruments building a subordination structure.</td></tr>
<tr><td>Tax liabilities</td><td>All tax related liabilities except for provisions for taxes.</td></tr>
<tr><td>Trading derivatives</td><td>The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.</td></tr>
<tr><td>TSR</td><td>Total Shareholder Return. The total return of a stock to an investor (capital gain plus dividends)</td></tr>
<tr><td>Unit-link</td><td>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.</td></tr>
</table>

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

Translation of the management report originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 60). The English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

Grupo BBVA

Management report for the year ended December 31, 2014

Grupo BBVA

Management report for the year 2014

1. The BBVA Group

1.1. Highlights

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 and is the parent company of the financial group whose object is to engage directly or indirectly in activities, transactions, agreements and services relating to the banking business. The Bank conducts its business through branches and offices located throughout Spain and abroad.

The Banco Bilbao Vizcaya Argentaria Group (the "Group" or "BBVA Group") is an internationally diversified financial group with a significant presence in traditional retail banking, asset management and wholesale banking.

The financial information included in this management report is presented in accordance with the criteria established by the International Financial Reporting Standards approved by the European Union (EU-IFRS) and taking into account Bank of Spain Circular 4/2004, and its subsequent amendments, as well as other provisions of the regulatory framework on financial reporting applicable to the Group.

The most relevant data and ratios of the BBVA Group as of December 31, 2014 and 2013 are as follows:

	Millions of Euros		
BBVA Group Highlights	**December 2014**	**December 2013**	**% Change**
Balance sheet (Millions Euros)			
Total assets	631,942	582,697	8.5
Total lending (gross)	350,822	336,759	4.2
Customer deposits	319,060	300,490	6.2
Other customer funds	72,191	74,676	(3.3)
Total equity	51,609	44,565	15.8
Income statement			
Net interest income	14,382	13,900	3.5
Gross income	20,725	20,752	(0.1)
Income before tax	3,980	954	317.2
Net attributable profit	2,618	2,084	25.6
Data per share and share performance ratios			
Share price (euros)	7.85	8.95	(12.3)
Market capitalization (Millions Euros)	48,470	51,773	(6.4)
Net attributable profit per share (euros)	0.44	0.36	22.2
Book value per share (euros)	8.01	8.00	0.1
P/BV (Price/book value; times)	1.0	1.09	(8.3)
Capital adecuacy ratios (%)			
BIS Ratio	15.1	14.9	1.3
Tier I	12.0	12.2	(1.6)
Core capital	12.0	11.6	3.4
Other information			
Number of shares (millions)	6,171	5,786	6.7
Number of shareholders	960,397	974,395	(1.4)
Number of employees	108,770	109,305	(0.5)
Number of branches	7,371	7,420	(0.7)
Number of ATMs	22,104	20,415	8.3

1.2. Business model

BBVA Group's mission is "to provide the best solutions, products and financial services to our customers. "The banking model of BBVA Group relies on four pillars:

- Leadership and Diversification: diversification is essential to withstand in any environment. The Group's structure is very balanced in terms of geographical areas, businesses and segments, which allow to keep a high level of recurring revenues, despite of the environmental conditions and economic cycles.

  The Group's strategy is based on managing strong franchises, with a large customer base and leadership positions in their respective markets. The Group is continuously analyzing the market in order to identify attractive and profitable investment opportunities, within its policy of active portfolio management that seeks to generate maximum value to the shareholders. The implementation of this strategy in the medium and long term has led BBVA to carry out several transactions in 2014 (see Note 3 to the Consolidated Financial Statements attached).
- Anticipatory and prudent management: the decision-making process to conduct business management is based on prudence and anticipation. Prudent management essentially with regards to credit and structural risk management, capital and corporate operations. To be proactive is key in regard to anticipating events, along with the flexibility to swiftly adapt to them.
- Principles adjusted returns: the current environment is, undoubtedly, a challenge for the financial sector. The financial industry has suffered a social legitimacy deficit of global reach. Additionally, the sector is under regulatory pressure, especially in terms of customer protection. In this context, it is clear to the BBVA Group that pursuing profitability under any means is not the correct approach. Therefore BBVA has chosen a banking model closely tied to the principles of integrity, prudence and transparency, also referred to as profitability adjusted by principles and places people at the core of the business.
- Customer focus: The BBVA business model is focused on the customer and aims to build stronger, solid and lasting relationships with over 50 million customers worldwide.

New technologies and the universal use of mobile internet are changing the behaviors and expectations of customers, which is giving way to new competitors and transforming the financial industry. Thus, the BBVA Group has spent several years working in the transformation of its business model towards an increasingly digital one, to achieve a business model focused on customers and be able to better compete in the new environment. To do this, the Bank are betting on technology and innovation as key levers to provide a differential customer experience that significantly improves productivity, efficiency, profitability and shareholder value creation. In this regard, the Group has set an ambitious goal: be a leader in customer satisfaction in all geographies in which BBVA operates.

2. Business performance

2.1. Economic environment in 2014

In 2014, global GDP[1] grew by 3.3%, 0.1 points more than in 2013. The pace accelerated over the year, boosted by rising GDP growth in developed economies, particularly in the U.S. In contrast, it slowed in the emerging economies, both in Asia and above all South America, which was affected by the impact of the fall in commodity prices and reduced demand in China. Overall, the global recovery is slow, particularly in the most developed economies, which in some cases have to continue to reduce their levels of debt accumulated in the previous expansive stage. Emerging markets are facing the challenge of lower commodity prices and the structural change resulting from a transformation to the pattern of growth in China from exports to domestic consumption. Another element to consider in the global economic scenario is the role of international trade, which has slowed beyond the level to be expected from the moderation in global economic activity.

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

With respect to the Eurozone, the effect of geopolitical risks and the lack of reforms have left their mark on growth, which has fallen below 1%. The recovery has been delayed, although the fundamentals continue to be

[1] BBVA Research estimate, with IMF data and weightings and IMF and BBVA Research forecasts

positive. The factors lying behind this delay in recovery are the crisis between Ukraine and Russia, which is affecting confidence, investment and expectations, and a lack of strength in domestic demand. The fundamentals for growth are: moderate but positive progress in the global economy; a fiscal policy that is no longer a drain on growth; the abundance of liquidity; depreciation of the exchange rate; and compliance with the steps planned for banking union.

In Spain, the data on economic activity confirm that recovery has continued to move forward. Improved domestic demand (mainly private) has been based on temporary factors (reduction in uncertainty), greater support from fiscal and monetary policies and on structural factors such as the progress made in correcting internal imbalances and some of the reforms carried out over recent years. Over the year Spanish exports have stagnated in a foreign environment conditioned by the lack of strength in the European economy and growth in financial tensions.

Emerging economies maintained positive growth, although more moderate than in previous years.

In Mexico, following the slowdown in the first quarter of the year, the Mexican economy has improved thanks to increased foreign demand to an expected GDP growth of 2.1%. Among the factors explaining the moderate growth is lower oil prices and production, a delay in the execution of major public investment projects and weak internal demand, which crucially depends on the creation of formal jobs.

In Turkey, monetary policy decisions taken at the start of the year managed to stabilize the economy and moderate the current account deficit. Inflation remained high due to the depreciation in the Turkish lira (affected by geopolitical factors), but it began to be corrected toward the end of the year, supported by the major fall in energy prices.

In South America, economic growth slowed substantially in 2014 for a number of reasons: the less favorable international environment; falls in commodity prices; a slowdown in activity in China; and the increased volatility in the financial markets due to the start of interest-rate rises in the United States. However, growth started to rise in the third quarter of 2014 on the back of greater global growth and increased public investment in many countries in the region.

In general terms, financial tensions have remained limited and volatility has remained low, despite some episodes of risk aversion. The behavior of the markets has continued to be impacted by the central banks. Supported by an economy that is more advanced in the cycle, the Fed has maintained its tapering process and ended the asset purchase program in October 2014, as expected. In contrast, the ECB and the Bank of Japan have reacted to deteriorating expectations with respect to growth and above all inflation. Specifically, the ECB cut its official benchmark rate to 0.05% and its deposit rate to a negative -0.20%, and announced a new liquidity program for the banks, associated with new credit (TLTRO) and covered bond and asset-backed securities purchase programs. For 2015 the ECB announced asset purchases for €60 billion per month until at least September 2016, including the programs of acquisition of asset-backed securities and covered bonds currently underway. Overall, these measures represent a liquidity injection of at least €1,100 billion euros over the year and a half, with the aim of restoring the size of its balance sheet to the levels of the start of 2012. The ECB announcement has convincingly exceeded market expectations.

In this environment of abundant liquidity one-year interest rates have fallen moderately in the United States and more aggressively in Europe, in both the core and the peripheral countries.

2.1.1 Trends in exchange rates

The euro began to fall against the dollar in the third quarter of 2014, following changing expectations of monetary policy in the U.S. (tightened) and the Eurozone (eased). Similarly, the euro began to fall against other currencies in the final part of the year, therefore the currencies with greater relative weight in the Group's financial statements (mainly Mexican Peso, Dollar and Turkish Lira) are, as of December 31, 2014, more appreciated than as of December 31, 2013, resulting in a positive impact on the balance sheet and the total equity.

This appreciation of the currencies against the euro by the end of the year has not been fully translated to the average exchange rate of 2014. This appreciation and the evolution of the exchange rates during 2013 explains that the average exchange rate decreased with respect to the year ended December 31, 2013 resulting in a negative impact on the results of operations.

	Average Exchange Rates			Year-End Exchange Rates		
Currency	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Mexican peso	17.66	16.96	16.90	17.87	18.07	17.18
U.S.dollar	1.33	1.33	1.29	1.21	1.38	1.32
Argentine peso	10.77	7.28	5.84	10.38	8.99	6.48
Chilean peso	756.43	658.33	625.00	736.92	722.54	633.31
Colombian peso	2,652.52	2,481.39	2,309.47	2,906.98	2,659.57	2,331.00
Peruvian new sol	3.77	3.59	3.39	3.61	3.85	3.37
Venezuelan bolivar (*)	14.78	8.05	5.52	14.57	8.68	5.66
Turkish lira	2.91	2.53	2.31	2.83	2.96	2.36

(*) In 2014, the SICAD I exchange rate has been used,
while the official exchange rate has been used in 2013 and 2012.

2.1.2 Relevant events: the banking system

In Europe progress has been made in banking union with the approval of the key European regulations governing financial systems. Following the agreement between the European Commission and Parliament to create the Single Resolution Fund, the intergovernmental agreement on mutualization of contributions was signed in April, complementing the Regulation on the Single Resolution Mechanism (SRM).

In May the European Parliament also approved the Bank Recovery and Resolution Directive (BRRD), which takes effect on January 1, 2015. Among other matters, it covers the circumstances for triggering the resolution of a bank and the scope of the bail-in mechanisms, which will come into force in January 2016. In Spain the Bill transposing the directive was published in November 2014.

One of the most important events in the year was the comprehensive assessment of European banks by the European Central Bank (ECB) before it took up its role as sole bank supervisor in November 2014. The exercise rested on two fundamental pillars: (i) an asset quality review (AQR), which aimed to evaluate the correct accounting classification and valuation of assets under comparable criteria; and (ii) the stress tests. For these the ECB, together with the European Banking Authority (EBA), analyzed the capacity of each bank to maintain adequate levels of solvency under two stress scenarios: baseline and adverse. In October the ECB published the results of this exercise. The AQR, which required banks to have a minimum Common Equity Tier 1 (CET1) ratio of 8%, revealed a capital shortage of €5 billion, distributed among 16 banks. In the stress tests the banks were required to maintain a minimum CET1 ratio of 8% in the baseline scenario and 5.5% in the adverse scenario. The overall capital shortfall in the comprehensive assessment stood at €24.6 billion, focused on Italy (€9.7 billion) and Greece (€8.7 billion). Of the 25 banks that failed the test, 12 were technical failures, since in 2014 they have already raised sufficient capital to cover the shortage, so the final shortfall was only €9.5 billion. The publication of the results marks the completion of one of the major steps toward creating a fully-functioning Banking Union. The transparency of the banks has been increased significantly, and the test has confirmed that the European banking system is resilient to an adverse economic scenario, with very acceptable capital shortfall of around €9.5 billion. Starting on November 4, the ECB became the sole supervisor of the banks subject to comprehensive assessment.

Finally, in June the ECB approved a broad package of measures:

- A cut on interest rates that left the basic open market transaction rate at 0.15% and the deposit window rate in negative territory for the first time ever.
- The announcement of various targeted long-term refinancing operations (TLTROs) for banks, conditioned on the provision of credit to the real economy, excluding the public sector and residential mortgages. In an initial phase, the European banks could apply for up to €400 billion of ECB finance at a very limited cost (0.25%) and with a maximum maturity of four years. However, the final demand was around €213 billion.
- Starting in October, the launch of a program of covered bond purchases amounting to €37.2 billion, and of asset-backed securities, amounting to €2.3 billion.

In Spain, the financial assistance program was concluded, officially expiring on January 22. In line with the planned schedule, Spain implemented all the restructuring measures agreed with the Troika (the European Commission, European Central Bank and International Monetary Fund). Since then, progress has been made in restructuring the system, with the disposal of state investment in entities that required public money and the privatization of Catalunya Banc.

In the area of structural reforms, Royal Decree-Law 4/2014 reforming the insolvency law has streamlined and made more flexible the processes for concluding refinancing agreements and eliminates rigidities in the insolvency and pre-insolvency regulations. This law will help companies that remain operationally viable to restructure their debt.

The liquidity situation in the banking system and its funding structure have improved since the start of the year, and net funding obtained from the ECB has fallen. The 2014 results showed a recovery in profitability. Solvency ratios have also improved as a result of the internal generation of earnings, the deleveraging process and capital increases.

The publication of the results of the comprehensive assessment exercise on European banks has demonstrated the robustness of the Spanish banking system. The asset quality review (AQR) identified a low volume of adjustments required (€2.2 billion, i.e. 14 basis points of CET1 capital, the lowest in Europe) and the resilience of the banks' capital to the stress tests was very high. In the adverse scenario the Spanish banks had the second smallest reduction in the capital ratio after Estonia. Only one Spanish bank, Liberbank, showed a capital shortfall (€32 million in the AQR), which was already addressed in 2014 with a capital increase of €575million.

2.2. Summarized consolidated income statements

In the explanations of the changes in the main headings of the summarized consolidated income statements, it has to be considered the following issues:

- Average exchange rates used in the conversion of the financial statements of our foreign subsidiaries have had a significant impact in some lines of the income statement of the Group. The appreciation of the euro and the strong depreciation of the Venezuelan Bolivar and the Argentine Peso explain, in most cases, the negative year-on-year comparison of both income and expenditure, offsetting each other to a large degree. Excluding the exchange rate effect, most of the lines of both income and expenditure have grown as a result of the increased business volumes and activity in emerging economies.
- Following the adoption of IFRIC 21 on levies by the IFRS interpretations Committee, in 2014 there was a change in accounting policy with respect to contributions made to the Deposit Guarantee Fund. According to the International Accounting Standards (denominated IAS 8), IFRIC 21 has been applied retroactively restating certain amounts presented for comparative purposes from prior years. The main effect of this change is that:
  - With respect to the income statements from previous years, the balances for the following line items have been modified: "Other Income and Expenses" and consequently the line items of "Gross Margin", "Operating income", "Operating Profit & Loss before tax" and "Profit attributable to parent company". Therefore, the "profit attributable to parent company" for the year 2013 becomes €2,084 million compared to €2,228 million registered under the previous regulation.
  - With respect to the balance sheet from 2013 and 2012, this change affects in a material manner the balances for the following line items: “Deferred tax assets”, “Financial liabilities at amortized cost – Other financial liabilities”, “Reserves” and consequently the line items “Total assets”, “Total liabilities”, “Stockholders’ funds” and “Total equity”.
- The heading “Income from discontinued transactions (net)” in 2013 included the earnings from the agreements for the sale of the pension business in Latin America concluded in 2013 (see Note 3 to the accompanying consolidated financial statements),

The Group's summarized consolidated income statements for 2014 and 2013 are given below (including the mentioned restatement):

	Millions of Euros		
BBVA Group Interim Consolidated Income Statements	**2014**	**2013**	**% Change**
NET INTEREST INCOME	**14,382**	**13,900**	**3.5**
Dividend income	531	235	126.0
Share of profit or loss of entities accounted for using the equity method	343	694	(50.6)
Net fees and commissions	4,174	4,250	(1.8)
Net gains (losses) on financial assets and liabilities and net exchange differences	2,134	2,511	(15.0)
Other operating income and expenses	(839)	(838)	0.1
GROSS INCOME	**20,725**	**20,752**	**(0.1)**
Operating expenses	(10,559)	(10,796)	(2.2)
Administration costs	(9,414)	(9,701)	(3.0)
Personnel expenses	(5,410)	(5,588)	(3.2)
General and administrative expenses	(4,004)	(4,113)	(2.7)
Depreciation and amortization	(1,145)	(1,095)	4.6
OPERATING INCOME	**10,166**	**9,956**	**2.1**
Impairment losses on financial assets (net)	(4,340)	(5,612)	(22.7)
Provisions (net)	(1,142)	(609)	87.5
NET OPERATING INCOME	**4,684**	**3,735**	**25.4**
Other gains (losses)	(704)	(2,781)	(74.7)
INCOME BEFORE TAX	**3,980**	**954**	**317.2**
Income tax	(898)	16	n.m.
INCOME FROM CONTINUING TRANSACTIONS	**3,082**	**970**	**217.7**
Income from discontinued transactions (net)	-	1,866	n.m.
NET INCOME	**3,082**	**2,836**	**8.7**
Net income attributed to non-controlling interests	464	753	(38.4)
NET INCOME ATTRIBUTED TO PARENT COMPANY	**2,618**	**2,084**	**25.6**

The explanations of the changes in the main headings of the summarized consolidated income statements are as follows:

"Net Interest Income" for the year ended December 31, 2014 amounted to €14,382 million, a 3.5% increase compared with the €13,900 million recorded for the 2013, mainly as a result of the strong activity in emerging markets partially offset by the impact of the average exchange rate depreciation of main currencies against the euro, especially of the Venezuelan bolivar fuerte and the Argentine peso. Excluding this impact, at constant exchange rates, net interest income would have increased by 15.5%.

The following information should be noted in the geographical areas:

- In Spain, remains stable, because of the impact of the elimination of "floor clauses" in residential mortgage loans is practically offset by the moderate improvement of "Net interest income" in the prevailing low interest rates environment.
- In Eurasia, the increase is as a result of lower cost of funding due to the gradual recovery of the customer spread partially.
- In Mexico, the increase is due to increased activity volume while customer spreads remained stable year-on-year.
- In South America, the increase is mainly as a result of increased activity, practically offset by the adverse exchange rate impact and, to a lesser extent, hyperinflation in Venezuela.
- In the United States, the increase is as a result of the increased activity, which offset narrowing customer spreads in the prevailing low interest rates environment.

"Dividend Income" for the year ended December 31, 2014 amounted to €531 million, a 126% increase compared with the €235 million recorded for the 2013 as a result of the collection of dividend payments by the Telefónica group (which did not pay dividends during the nine months ended September 30, 2013) and CNCB which was accounted for under the equity method until September 30, 2013 as it is outlined in Note 12 of the accompanying Financial Statements.

"Share Of Profit Or Loss Of Entities Accounted For Using The Equity Method" for the year ended December 31, 2014 amounted to €343 million, a 50.6% decrease compared with the €694 million recorded for the 2013, mainly due, as mentioned before, to the reclassification of our interest in CNCB to "Available-for-sale financial assets" on October 2013 (see Note 12 to the Interim Consolidated Financial Statements), as a result of which CNCB ceased to be accounted for under this line item.

"Net Fees And Commissions" for the year ended December 31, 2014 amounted to €4,174 million, a 1.8% decrease compared with the €4,250 million recorded for the 2013, mainly due to the impact of exchange rates of emerging countries. Excluding this impact, at constant rates, commissions would increase by 5.5% because the activity increased in certain emerging countries.

"Net Gains (Losses) On Financial Assets And Liabilities And Net Exchange Differences" for the year ended December 31, 2014 amounted to €2,134 million, a 15% decrease compared with the €2,511 million recorded for the 2013, when we recorded high capital gains derived from the sale of some securities.

"Other Operating Income And Expenses" for the year ended December 31, 2014 was a loss of €839 million, a 0.1% increase compared with the €838 million loss recorded for the 2013.

"Gross Income" for the year ended December 31, 2014 amounted to €20,725 million, a 0.1% decrease compared with the €20,752 million recorded for the 2013.

"Administration Costs" for the year ended December 31, 2014 was a loss of €9,414 million, a 3% decrease compared with the €9,701 million loss recorded for the 2013, mainly due to the above mentioned effect of the exchange rates and the policy of cost optimization in developed countries.

"Operating Income" for the year ended December 31, 2014 amounted to €10,166 million, a 2.11% increase compared with the €9,956 million recorded for the 2013.

"Impairment Losses On Financial Assets (Net)" for the year ended December 31, 2014 amounted to €4,340 million, a 22.7% decrease compared with the €5,612 million loss recorded for the 2013, due mainly to decreased impaired assets as a result of lower additions to non-performing assets and higher recoveries in Spain.

"Provisions (Net)" for the year ended December 31, 2014 was a loss of €1,142 million, a 87.5% increase compared with the €609 million loss recorded for the 2013, mainly due to the costs related to the transformation processes undertaken by the Group.

"Other Gains (Losses)" for the year ended December 31, 2014 was a loss of €704 million, a 74.7% decrease compared with the €2,781 million loss recorded for the 2013. The decrease is mainly due to the losses made by a change in the accounting criteria in the investment in CNCB from "Investments in entities accounted for using the equity method" to "Available-for-sale financial assets" after reaching a new agreement with Citic Group in October 2013 that included among other aspect the sale of its 5.1% stake in CNCB to Citic Limited (see Note 3 to the accompanying consolidated financial statements). The aforementioned amount was collected under this heading in 2013.

"Income Before Tax" for the year ended December 31, 2014 amounted to €3,980 million, compared with the €954 million recorded for the 2013.

"Income Tax" for the year ended December 31, 2014 was a loss of €898 million, compared with the €16 million recorded for the 2013.

"Profit from discontinued operations" for the year ended December 31, 2014 was zero, compared with €1,866 million for year ended December 31, 2014 as a result of the income from the pension business in Latin America (including capital gains from the sale of Afore Bancomer in Mexico and the pension fund managers in Colombia, Peru and Chile), which was sold in 2013.

“Net Income Attributed To Non-Controlling Interests” for the year ended December 31, 2014 amounted to €464 million, a 38.4% decrease compared with the €753 million recorded for the 2013. This decrease is primarily due to the Exchange rate in countries with minority interests, especially Venezuela and Argentina and the lower existence of minority interests from pension businesses sold in 2013.

“Net Income Attributed To Parent Company” for the year ended December 31, 2014 amounted to €2,618 million, a 25.6% increase compared with the €2,084 million recorded for the 2013.

2.3. Summarized consolidated balance sheets and key operational figures

There was an appreciation against the Euro of the dollar, Mexican peso, Colombian peso and Peruvian sol with respect December 2013. The effect of changes in these exchange rates on the half-year comparison of the consolidated balance sheet was positive. On the other hand there was a half year depreciation against the Euro of the Venezuelan Bolivar, the Argentine peso and the Chilean peso decreased with respect December 2013, resulting in a negative impact on the half-year comparison of the consolidated balance sheet.

The Group's summarized consolidated balance sheets as of December 31, 2014 and December 31, 2013 are shown below.

	Millions of Euros		
ASSETS	**2014**	**2013**	**% Change**
CASH AND BALANCES WITH CENTRAL BANKS	**31,430**	**34,903**	**(10.0)**
FINANCIAL ASSETS HELD FOR TRADING	**83,258**	**72,112**	**15.5**
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,761**	**2,413**	**14.4**
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**94,875**	**77,774**	**22.0**
LOANS AND RECEIVABLES	**372,375**	**350,945**	**6.1**
Loans and advances to credit institutions	27,059	22,862	18.4
Loans and advances to customers	338,657	323,607	4.7
Debt securities	6,659	4,476	48.8
HELD-TO-MATURITY INVESTMENTS	**-**	**-**	**n.m.**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**121**	**98**	**23.5**
HEDGING DERIVATIVES	**2,551**	**2,530**	**0.8**
NON-CURRENT ASSETS HELD FOR SALE	**3,793**	**2,880**	**31.7**
INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**4,509**	**4,742**	**(4.9)**
INSURANCE CONTRACTS LINKED TO PENSIONS	**-**	**-**	**n.m.**
REINSURANCE ASSETS	**559**	**619**	**(9.7)**
TANGIBLE ASSETS	**7,820**	**7,534**	**3.8**
INTANGIBLE ASSETS	**7,371**	**6,759**	**9.1**
TAX ASSETS	**12,426**	**11,704**	**6.2**
OTHER ASSETS	**8,094**	**7,684**	**5.3**
TOTAL ASSETS	**631,942**	**582,697**	**8.5**

"Total Assets" of this operating segment as of December 31, 2014 amounted to €631,942 million, a 8.5% increase compared with the €582,697 million recorded as of December 31, 2013.

"Loans And Receivables " of this operating segment as of December 31, 2014 amounted to €372,375 million, a 6.1% increase compared with the €350,945 million recorded as of December 31, 2013. This increase is explained by the evolution of its main headings as follows:

"Loans And Advances To Credit Institutions" of this operating segment as of December 31, 2014 amounted to €27,059 million, a 18.4% increase compared with the €22,862 million recorded as of December 31, 2013.

"Loans And Advances To Customers" of this operating segment as of December 31, 2014 amounted to €338,657 million, a 4.7% increase compared with the €323,607 million recorded as of December 31, 2013. By business areas, the main trends are:

- Banking activity in Spain shows that the deleveraging process in the economy has slowed thanks to the recovery of the demand of new loans. Gross customer lending in the area is slightly up 0.2% during 2014.
- Mexico shows a favorable trend of the commercial activity, despite the macroeconomic growth has been moderate than initially expected and the level of interest rate has been reduced.
- South America continues to show a high year-on-year growth in business, in practically all the countries where the Group operates.
- United States shows a good performance in 2014, supported by the good performance of commercial loans, consumer finance and residential mortgage.

	Millions of Euros		
LIABILITIES AND EQUITY	**2014**	**2013**	**% Change**
FINANCIAL LIABILITIES HELD FOR TRADING	**56,798**	**45,648**	**24.4**
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,724**	**2,467**	**10.4**
FINANCIAL LIABILITIES AT AMORTIZED COST	**491,899**	**464,549**	**5.9**
Deposits from central banks	28,193	30,893	(8.7)
Deposits from credit institutions	65,168	52,423	24.3
Customer deposits	319,060	300,490	6.2
Debt certificates	58,096	64,120	(9.4)
Subordinated liabilities	14,095	10,556	33.5
Other financial liabilities	7,288	6,067	20.1
HEDGES OF INTEREST RATE RISK	**-**	**-**	**n.m.**
HEDGING DERIVATIVES	**2,331**	**1,792**	**30.1**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	**-**	**n.m.**
LIABILITIES UNDER INSURANCE CONTRACTS	**10,460**	**9,834**	**6.4**
PROVISIONS	**7,444**	**6,853**	**8.6**
TAX LIABILITIES	**4,157**	**2,530**	**64.3**
OTHER LIABILITIES	**4,519**	**4,460**	**1.3**
TOTAL LIABILITIES	**580,333**	**538,133**	**7.8**
EQUITY	**-**	**-**	**n.m.**
STOCKHOLDERS' FUNDS	**49,446**	**46,025**	**7.4**
VALUATION ADJUSTMENTS	**(348)**	**(3,831)**	**(90.9)**
NON-CONTROLLING INTEREST	**2,511**	**2,371**	**5.9**
TOTAL EQUITY	**51,609**	**44,565**	**15.8**
TOTAL LIABILITIES AND EQUITY	**631,942**	**582,697**	**8.5**

"Financial Liabilities At Amortized Cost " of this operating segment as of December 31, 2014 amounted to €491,899 million, a 5.9% increase compared with the €464,549 million recorded as of December 31, 2013. This increase is explained by the evolution of its main headings as follows:

"Customer Deposits" of this operating segment as of December 31, 2014 amounted to €319,060 million, a 6.2% increase compared with the €300,490 million recorded as of December 31, 2013, mainly as a result of the growth in Government and other government agencies and in current and saving accounts, especially in the United States and, to a lesser extent, in Mexico and South America.

"Debt Certificates" of this operating segment as of December 31, 2014 amounted to €58,096 million, a 9.4% decrease compared with the €64,120 million recorded as of December 31, 2013.

"Subordinated Liabilities" of this operating segment as of December 31, 2014 amounted to €14,095 million, a 33.5% increase compared with the €10,556 million recorded as of December 31, 2013.

2.4. Business performance: earnings and activity by business area

The BBVA Group's activity is geographically diversified in Spain, Mexico, South America and the United States, with an active presence in Europe and Asia, especially Turkey and China. As mentioned in Note 6 of the accompanying consolidated financial statements, the BBVA Group has maintained the business areas used by the BBVA Group in 2013.

In drawing up the Income Statement in this Management Report, three effects have to be taken into account:

- Garanti's assets and liabilities have been proportionally integrated based on our 25.01% interest in Garanti.
- The restatement of the consolidated Income Statement in 2013 mentioned in the heading 2.2, has been allocated in the Corporate Center.
- Earnings from certain corporate activities made throughout the year 2013, discussed below, are classified under the heading, "Income from corporate activities" to facilitate the comparability of the other lines of the income statement for 2014, in which they have not made significant corporate transactions.

The heading, "Income from corporate activities" included:

- Banking activity in Spain: Earnings from the operation on the individual life and accident insurance portfolio in Spain, made in the three months ended March 31, 2013.
- In Corporate activity :
  - Earnings from sales of the pension business in Mexico, Colombia, Peru and Chile, and the results generated by each of those businesses until the sale.
  - A change in the accounting criteria in the investment in CNCB from "Investments in entities accounted for using the equity method" to "Available-for-sale financial assets" after reaching a new agreement with Citic Group in October 2013 that included among other aspect the sale of its 5.1%stake in CNCB to Citic Limited (see Note 3 to the accompanying consolidated financial statements).
- Tax impact of corporate operations.

The reconciliation between the Group's summarized consolidated income statements for 2014 and 2013 and the management account is as follows:

	Millions of Euros					
	2014			2013		
BBVA Group Income Statement	Consolidated Income Statement	Reconciliation	Management Income Statement	Consolidated Income Statement	Reconciliation	Management Income Statement
NET INTEREST INCOME	**14,382**	**734**	**15,116**	**13,900**	**713**	**14,613**
Net fees and commissions	4,174	191	4,365	4,250	181	4,431
Net gains (losses) on financial assets and liabilities and net exchange differences	2,134	1	2,135	2,511	16	2,527
Other operating income and expenses (*)	35	(295)	(260)	91	(266)	(175)
GROSS INCOME	**20,725**	**632**	**21,357**	**20,752**	**645**	**21,397**
Operating expenses	(10,559)	(392)	(10,951)	(10,796)	(405)	(11,201)
Administration costs	(9,414)	(357)	(9,771)	(9,701)	(367)	(10,068)
Personnel expenses	(5,410)	(199)	(5,609)	(5,588)	(200)	(5,788)
General and administrative expenses	(4,004)	(157)	(4,161)	(4,113)	(167)	(4,280)
Depreciation and amortization	(1,145)	(35)	(1,180)	(1,095)	(38)	(1,133)
OPERATING INCOME	**10,166**	**240**	**10,406**	**9,956**	**240**	**10,196**
Impairment losses on financial assets (net)	(4,340)	(146)	(4,486)	(5,612)	(164)	(5,776)
Provisions (net) and other gains (losses)	(1,846)	(11)	(1,857)	(3,390)	1,720	(1,670)
Provisions (net)	(1,142)	(13)	(1,155)	(609)	(21)	(630)
Other gains (losses)	(704)	3	(701)	(2,781)	1,741	(1,040)
OPERATING PROFIT/ (LOSS) BEFORE TAX	**3,980**	**83**	**4,063**	**954**	**1,796**	**2,750**
Income tax	(898)	(83)	(981)	16	(609)	(593)
PROFIT FROM CONTINUING TRANSACTIONS	**3,082**	**-**	**3,082**	**970**	**1,188**	**2,158**
Profit from discontinued/corporate operations (net)	-	-	-	1,866	(1,043)	823
PROFIT	**3,082**	**-**	**3,082**	**2,836**	**144**	**2,981**
Profit attributable to non-controlling interests	464	-	464	753	-	753
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**2,618**	**-**	**2,618**	**2,084**	**144**	**2,228**

(*) Includes the following headings: Income from equity instruments, Share of profit or loss of entities accounted for using the equity method and other operating income and expenses

The contribution of the different business areas to the Group's management income statement in 2014 is as follows:

Management Income Statement 2014	BBVA Group	Operating segments (Millions of Euros): Banking activity in Spain	Real Estate	Eurasia	Mexico	The United States	South America	Total Operating Segments	Corporate Center
NET INTEREST INCOME	**15,116**	**3,830**	**(38)**	**924**	**4,910**	**1,443**	**4,699**	**15,767**	**(651)**
Net fees and commissions	4,365	1,454	4	378	1,166	553	901	4,457	(92)
Net gains (losses) on financial assets and liabilities and net exchange differences	2,135	1,149	72	151	195	145	482	2,195	(60)
Other operating income and expenses (*)	(260)	189	(170)	227	250	(4)	(890)	(398)	139
GROSS INCOME	**21,357**	**6,622**	**(132)**	**1,680**	**6,522**	**2,137**	**5,191**	**22,020**	**(664)**
Operating expenses	(10,951)	(2,845)	(159)	(738)	(2,406)	(1,497)	(2,316)	(9,962)	(989)
Administration costs	(9,771)	(2,740)	(136)	(691)	(2,219)	(1,318)	(2,137)	(9,241)	(530)
Personnel expenses	(5,609)	(1,707)	(86)	(387)	(1,020)	(861)	(1,099)	(5,160)	(450)
General and administrative expenses	(4,161)	(1,034)	(50)	(304)	(1,199)	(457)	(1,038)	(4,081)	(80)
Depreciation and amortization	(1,180)	(105)	(23)	(47)	(187)	(179)	(179)	(721)	(459)
OPERATING INCOME	**10,406**	**3,777**	**(291)**	**942**	**4,115**	**640**	**2,875**	**12,058**	**(1,653)**
Impairment losses on financial assets (net)	(4,486)	(1,690)	(305)	(203)	(1,517)	(68)	(706)	(4,489)	3
Provisions (net) and other gains (losses)	(1,857)	(623)	(629)	(27)	(79)	(10)	(219)	(1,587)	(270)
Provisions (net)	(1,155)	(623)	(14)	(13)	(62)	(9)	(213)	(934)	(222)
Other gains (losses)	(701)	-	(615)	(15)	(17)	(2)	(6)	(653)	(48)
OPERATING PROFIT/ (LOSS) BEFORE TAX	**4,063**	**1,463**	**(1,225)**	**713**	**2,519**	**561**	**1,951**	**5,983**	**(1,920)**
Income tax	(981)	(432)	351	(147)	(604)	(133)	(490)	(1,454)	472
PROFIT FROM CONTINUING TRANSACTIONS	**3,082**	**1,032**	**(873)**	**565**	**1,916**	**428**	**1,461**	**4,529**	**(1,447)**
Profit from corporate operations (net)	-	-	-	-	-	-	-	-	-
PROFIT	**3,082**	**1,032**	**(873)**	**565**	**1,916**	**428**	**1,461**	**4,529**	**(1,447)**
Profit attributable to non-controlling interests	464	4	3	-	1	-	460	467	(3)
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**2,618**	**1,028**	**(876)**	**565**	**1,915**	**428**	**1,001**	**4,062**	**(1,444)**

(*) Includes the following headings: Income from equity instruments, Share of profit or loss of entities accounted for using the equity method and other operating income and expenses

The breakdown by business area of "Net income attributed to parent company" in 2014 and 2013 in the Group is as follows:

Profit by Operating Segments	2014 (Millions of Euros)	2013	% Change
Banking activity in Spain	1,028	589	74.7
Real Estate activity in Sapin	(876)	(1,252)	(30.0)
Eurasia	565	449	25.9
Mexico	1,915	1,802	6.3
The United States	428	390	10.0
South America	1,001	1,224	(18.2)
Subtotal by business areas	**4,062**	**3,201**	**69**
Corporate Activities	(1,444)	(1,117)	29.3
Total	**2,618**	**2,084**	**25.6**

The explanations for the changes in the income statement and the main figures on the balance sheet for each of the business areas are given below.

2.4.1. Banking activity in Spain

Earnings and Activity

Earnings in this area during 2014 with respect to 2013 have been affected mainly by the lower impairment losses on financial assets; and to a lesser extent, by the elimination of the "floor clauses" in residential mortgage loans (from May 9, 2013); operating expenses restraint and higher provisions for the costs related to transformation process of the Group.

	Millions of Euros		
Banking activity in Spain	**2014**	**2013**	**% Change**
NET INTEREST INCOME	**3,830**	**3,838**	**(0.2)**
Net fees and commissions	1,454	1,376	5.7
Net gains (losses) on financial assets and liabilities and net exchange differences	1,149	807	42.4
Other operating income and expenses	189	82	129.6
GROSS INCOME	**6,622**	**6,103**	**8.5**
Operating expenses	(2,845)	(3,014)	(5.6)
Administration costs	(2,740)	(2,903)	(5.6)
Personnel expenses	(1,707)	(1,851)	(7.8)
General and administrative expenses	(1,034)	(1,052)	(1.8)
Depreciation and amortization	(105)	(111)	(5.3)
OPERATING INCOME	**3,777**	**3,088**	**22.3**
Impairment losses on financial assets (net)	(1,690)	(2,577)	(34.4)
Provisions (net) and other gains (losses)	(623)	(282)	121.3
Provisions (net)	(623)	(315)	97.7
Other gains (losses)	-	34	n.m.
OPERATING PROFIT/ (LOSS) BEFORE TAX	**1,463**	**230**	**n.m.**
Income tax	(432)	(62)	n.m.
PROFIT FROM CONTINUING TRANSACTIONS	**1,032**	**168**	**n.m.**
Profit from corporate operations (net)	-	440	n.m.
PROFIT	**1,032**	**608**	**69.7**
Profit attributable to non-controlling interests	(4)	(20)	(81.8)
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**1,028**	**589**	**74.7**

The changes in the principal headings of the income statement of this business area are:

"Net Interest Income" of this operating segment for the year ended December 31, 2014 amounted to €3,830 million, a 0.2% decrease compared with the €3,838 million recorded for the year ended December 31, 2013. The negative impact of the elimination of "floor clauses" in residential mortgage loans (during the 2013 impact was lower because the clauses were removed beginning May 9, 2013), is practically offset by positive effect of the decrease of deposit costs and the moderate improvement of customer spread in the prevailing low interest rates environment.

"Net Fees and Commissions" of this operating segment for the year ended December 31, 2014 amounted to €1,454 million, a 5.7% increase compared with the €1,376 million recorded for the year ended December 31, 2013, mainly due to the increase of fees and commissions charged by mutual funds and pension, as well as by placement of securities. It is worth highlight, in the second half of 2014, certain regulatory constraints came into force affecting cards and funs management fees charged.

"Net Gains (Losses) On Financial Assets and Liabilities and Net Exchange Differences" of this operating segment for the year ended December 31, 2014 amounted to €1,149 million, a 42.4% increase compared with the €807 million recorded for the year ended December 31, 2013, as a result of gains on the sale of available-for-sale securities including sovereign bonds managed by ALCO, which were positively affected by the improved market perception on sovereign debt as a result of the lower sovereign risk premiums paid in recent issuances.

"Other Operating Income And Expenses" of this operating segment for the year ended December 31, 2014 amounted to €189 million, a 129.6% increase compared with the €82 million recorded for the year ended

December 31, 2013, mainly due to a good performance of the insurance activity and a lower contribution to the Deposit Guarantee Fund. As mentioned before, in order to guarantee the year-on-year evolution of the Income Statement, the retrospective application of the aforementioned CINIIF-21 to the second tranche of the exceptional contribution to the Deposit Guarantee Fund has been allocated to the Corporate Center in the 2013 financial year.

"Gross Income" for the year ended December 31, 2014 amounted to €6,622 million, an 8.5% decrease compared with the €6,103 million recorded for the 2013.

"Administration Costs" of this operating segment for the year ended December 31, 2014 was a loss of €2,740 million, a 5,6% decrease compared with the €2,903 million recorded for the year ended December 31, 2013, primarily due to the transformation and digitalization process launched by the BBVA Group. In this line, this process means, amongst others, cost contention measures, branches closure and staff resizing.

"Operating Income" for the year ended December 31, 2014 amounted to €3,777 million, a 22.3% increase compared with the €3,088 million recorded for the 2013.

"Impairment Losses On Financial Assets (Net)" of this operating segment for the year ended December 31, 2014 was a loss of €1,690 million, a 34.4% decrease compared with the €2,577 million recorded for the year ended December 31, 2013, due to the improve of credit quality by decreasing of non-performing loans and the fact that the collateral value of the loans in this portfolio deteriorated more in 2013 than in 2014.

"Provisions (Net) And Other Gains (Losses)" of this operating segment for the year ended December 31, 2014 was a loss of €623 million, compared with the €282 million recorded for the year ended December 31, 2013. "Provisions (Net)" of this operating segment was a loss of €623 million, a 97.7% increase compared with the €315 million recorded 2013, mainly due to costs restructuring arising from the transformation and digitalization process launched by the Group.

"Operating Profit/ (Loss) Before Tax" of this operating segment for the year ended December 31, 2014 amounted to €1,463 million, compared with the €230 million recorded for the year ended December 31, 2013.

"Income Tax" of this operating segment for the year ended December 31, 2014 showed a loss of €432 million, compared with the €62 million recorded for the year ended December 31, 2013. The balance under the heading "Earnings from corporate operations" includes the capital gain from the operation on the insurance portfolio completed in 2013.

"Profit Attributable To Parent Company" of this operating segment for the year ended December 31, 2014 amounted to €1,028 million, a 74.7% increase compared with the €589 million recorded for the year ended December 31, 2013. This increase was mainly as a result of the already mentioned lower impairment losses on financial assets.

	Millions of Euros		
Banking activity in Spain	**2014**	**2013**	**% Change**
Total Assets	**318,353**	**314,902**	**1.1**
Loans and advances to customers	**174,197**	**178,283**	**(2.3)**
Customer deposits under management (*)	**154,261**	**157,124**	**(1.8)**
Mutual funds	**28,695**	**22,298**	**28.7**
Pension funds	**21,880**	**20,428**	**7.1**
Efficiency ratio (%)	**43.0**	**49.4**	
NPA Ratio (%)	**6.0**	**6.4**	
NPA Coverage Ratio (%)	**45**	**41**	

The changes in the main headings of activity in this business area are as follows:

"Loans and advances to customers" of this operating segment as of December 31,2014 amounted to €174,197 million, a 2.3% decrease compared with the €178,283 million recorded as of December 31, 2013, as a result of the fact that the granting of new loans (especially consumer lending) do not offset previous loans. With respect to asset quality, there is a positive trend in net additions. Consequently the "NPA ratio" of this operating segment as of December 31, 2014 was 6% compared with 6.4% as of December 31, 2013. "NPA coverage ratio" of this operating segment as of December 31, 2014 was 45% compared with 41% as of December 31, 2013.

"Customer deposits under management" of this operating segment as of December 31, 2014 amounted to €154,261 million, a 1.8% decrease compared with the €157,124 million recorded as of December 31, 2013.

There has been a shift toward off-balance sheet funds, with an improvement in the average cost and consequently positively influencing the net interest income.

"Mutual funds" of this operating segment as of December 31, 2014 amounted to €28,695 million, a 28.7% increase compared with the €22,298 million recorded as of December 31, 2013. "Pension funds" of this operating segment as of December 31, 2014 amounted to €21,880 million, a 7.1% increase compared with the €20,428 million recorded as of December 31, 2013. These increases, in the very low rate environment aforementioned, are mainly the result of the active marketing of a diversified portfolio of mutual and pension funds to certain customer segments.

2.4.2 Real-estate business in Spain

Earnings and Activity

A significant aspect of the area's income statement is a volume of loan-loss provisions clearly lower than in the first half of 2013.

	Millions of Euros		
Real Estate	**2014**	**2013**	**% Change**
NET INTEREST INCOME	**(38)**	**(3)**	**n.m.**
Net fees and commissions	4	9	(56.8)
Net gains (losses) on financial assets and liabilities and net exchange differences	72	67	7.4
Other operating income and expenses	(170)	(111)	52.9
GROSS INCOME	**(132)**	**(38)**	**248.3**
Operating expenses	(159)	(150)	6.3
Administration costs	(136)	(127)	7.1
Personnel expenses	(86)	(84)	2.2
General and administrative expenses	(50)	(43)	16.6
Depreciation and amortization	(23)	(23)	1.8
OPERATING INCOME	**(291)**	**(188)**	**55.2**
Impairment losses on financial assets (net)	(305)	(643)	(52.6)
Provisions (net) and other gains (losses)	(629)	(1,008)	(37.6)
Provisions (net)	(14)	(20)	(29.6)
Other gains (losses)	(615)	(988)	(37.8)
OPERATING PROFIT/ (LOSS) BEFORE TAX	**(1,225)**	**(1,838)**	**(33.4)**
Income tax	351	595	(40.9)
PROFIT FROM CONTINUING TRANSACTIONS	**(873)**	**(1,243)**	**(29.8)**
Profit from corporate operations (net)	-	-	n.m.
PROFIT	**(873)**	**(1,243)**	**(29.8)**
Profit attributable to non-controlling interests	(3)	(9)	(65.8)
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**(876)**	**(1,252)**	**(30.0)**

The changes in the principal headings of the income statement of this business area are:

"Net Fees and Commissions" of this operating segment for the year ended December 31, 2014 amounted to €4 million, a 56.8% decrease compared with the €9 million recorded for the year ended December 31, 2013, due to the decreased activity in construction real estate.

"Net Gains (Losses) On Financial Assets and Liabilities and Net Exchange Differences" of this operating segment for the year ended December 31, 2014 amounted to €72 million, a 7.4% increase compared with the €67 million recorded for the year ended December 31, 2013, mainly as a result of higher results relating to sales.

"Other Operating Income And Expenses" of this operating segment for the year ended December 31, 2014 was a loss of €170 million, compared with the €111 million loss recorded for the year ended December 31, 2013, mainly due to the increase in costs relating to the administration and the sale of properties.

"Gross Income" for the year ended December 31, 2014 was a loss of €132 million, compared with the €38 million of loss recorded for the 2013.

"Administration Costs" of this operating segment for the year ended December 31, 2014 was a loss of €136 million, a 7.1% increase compared with the €127 million recorded for the year ended December 31, 2013, as a result of the increase in general and administrative expenses due to the expansion of this area.

"Operating Income" for the year ended December 31, 2014 was a loss of €291 million, compared with the €188 million of loss recorded for the 2013.

"Impairment Losses On Financial Assets (Net)" of this operating segment for the year ended December 31, 2014 was €305 million, a 52.6% decrease compared with the €643 million recorded for the year ended December 31, 2013, as a result of lower deterioration in real-estate assets.

"Provisions (Net) And Other Gains (Losses)" of this operating segment for the year ended December 31, 2014 was a loss of €629 million, compared with the €1,008 million recorded for the year ended December 31, 2013. "Provisions (Net)" of this operating segment was a loss of €14 million, a 29.6% decrease compared with the €20 million recorded 2013. Likewise, "Other Gains (Losses)" of this operating segment was a loss of €615 million, compared with the €988 million loss recorded 2013, as a result of the fact that property appraisals and the collateral of loans in this portfolio deteriorated less in 2014 than in 2013.

"Operating Profit/ (Loss) Before Tax" of this operating segment for the year ended December 31, 2014 was a loss of €1,225 million, compared with the €1,838 million loss recorded for the year ended December 31, 2013.

"Income Tax" of this operating segment for the year ended December 31, 2014 amounted to €351 million, compared with the €595 million gain recorded for the year ended December 31, 2013.

"Profit Attributable To Parent Company" of this operating segment for the year ended December 31, 2014 was a loss of €876 million, compared with the €1,252 million loss recorded for the year ended December 31, 2013.

2.4.3 Eurasia

Earnings and Activity

The period-on-period comparison of this area's financial statements is affected by the change in the exchange rates of the Turkish Lira against the euro. For the year ended December 31, 2014, the average exchange rate decreased with respect to the year ended December 31, 2013 resulting in a negative impact on the results of operations. On the contrary period-end exchange rate increased with respect to December 2013, resulting in a positive impact on activity. Therefore, the analysis of the changes in certain figures includes a reference to the percentage change at constant exchange rates.

	Millions of Euros		
Eurasia	**2014**	**2013**	**% Change**
NET INTEREST INCOME	**924**	**909**	**1.7**
Net fees and commissions	378	390	(3.0)
Net gains (losses) on financial assets and liabilities and net exchange differences	151	195	(22.4)
Other operating income and expenses	227	224	1.5
GROSS INCOME	**1,680**	**1,717**	**(2.1)**
Operating expenses	(738)	(736)	0.2
Administration costs	(691)	(685)	0.8
Personnel expenses	(387)	(384)	0.9
General and administrative expenses	(304)	(301)	0.8
Depreciation and amortization	(47)	(51)	(7.7)
OPERATING INCOME	**942**	**981**	**(3.9)**
Impairment losses on financial assets (net)	(203)	(330)	(38.5)
Provisions (net) and other gains (losses)	(27)	(65)	(57.9)
Provisions (net)	(13)	(39)	(67.2)
Other gains (losses)	(15)	(26)	(43.9)
OPERATING PROFIT/ (LOSS) BEFORE TAX	**713**	**586**	**21.5**
Income tax	(147)	(137)	7.0
PROFIT FROM CONTINUING TRANSACTIONS	**565**	**449**	**25.9**
Profit from corporate operations (net)	-	-	n.m.
PROFIT	**565**	**449**	**25.9**
Profit attributable to non-controlling interests	-	-	-
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**565**	**449**	**25.9**

The changes in the main headings of the income statement of this business area are:

"Net Interest Income" of this operating segment for the year ended December 31, 2014 amounted to €924 million, a 1.7% increase compared with the €909 million recorded for the year ended December 31, 2013, as a result of lower cost of funding due to the gradual recovery of the customer spread. However, this variation is affected by the effect of the depreciation of the Turkish lira against the euro. Excluding this impact, at constant exchange rates, annual growth would amount to 13.0%

"Net Fees and Commissions" of this operating segment for the year ended December 31, 2014 amounted to €378 million, a 3% decrease compared with the €390 million recorded for the year ended December 31, 2013, as a result of the depreciation of the Turkish lira. At constant exchange rates, fees and commissions would have increased at 3.1% as a result of the increase of fees and commissions from methods of payment, transferences and insurance in Turkey.

"Net Gains (Losses) On Financial Assets and Liabilities and Net Exchange Differences" of this operating segment for the year ended December 31, 2014 amounted to €151 million, a 22.4% decrease compared with the €195 million recorded for the year ended December 31, 2013, as a result of the lower contribution from trading income and the year-on-year decrease in portfolio sales operations by Garanti.

"Other Operating Income And Expenses" of this operating segment for the year ended December 31, 2014 amounted to €227 million, a 1.5% increase compared with the €224 million recorded for the year ended December 31, 2013.

"Gross Income" for the year ended December 31, 2014 amounted to €1,680 million, an increase of 2.1% compared with the €1,717 million of loss recorded for the 2013.

"Administration Costs" of this operating segment for the year ended December 31, 2014 was a loss of €691 million, a 0,8% increase compared with the €685 million recorded for the year ended December 31, 2013. At constant exchange rates, the inter-annual variation would have increased of 8.3%, as a result of the increase in the structure of Garanti throughout 2013, which resulted in higher administration costs in 2014.

"Operating Income" for the year ended December 31, 2014 amounted to €942 million, a 3.9% increase compared with the €981 million recorded for the 2013.

"Impairment Losses On Financial Assets (Net)" of this operating segment for the year ended December 31, 2014 was a loss of €203 million, a 38.5% decrease compared with the €330 million recorded for the year ended December 31, 2013, as a result of lower impairments in Turkey an in the wholesale segment (CIB Europe).

"Provisions (Net) And Other Gains (Losses)" of this operating segment for the year ended December 31, 2014 was a loss of €27 million, compared with the €65 million recorded for the year ended December 31, 2013. "Provisions (Net)" of this operating segment was a loss of €13 million, a 67.2% decrease compared with the €39 million recorded 2013, mainly as a result of lower provisions for contingencies. Likewise, "Other Gains (Losses)" of this operating segment was a loss of €15 million, compared with the €26 million loss recorded 2013.

"Operating Profit/ (Loss) Before Tax" of this operating segment for the year ended December 31, 2014 amounted to €713 million, a 21.5% increase compared with the €586 million recorded for the year ended December 31, 2013.

"Income Tax" of this operating segment for the year ended December 31, 2014 amounted to €147 million, a 7% increase of compared with the €137 million gain recorded for the year ended December 31, 2013.

"Profit Attributable To Parent Company" of this operating segment for the year ended December 31, 2014 amounted to €565 million, a 25.9% increase compared with the €449 million recorded for the year ended December 31, 2013. At constant exchange rates, the "Profit Attributable To Parent Company" would increase to 36.3%.

	Millions of Euros		
Eurasia	**2014**	**2013**	**% Change**
Total Assets	**44,667**	**41,223**	**8.4**
Loans and advances to customers	**29,430**	**28,397**	**3.6**
Customer deposits under management (*)	**22,671**	**17,634**	**28.6**
Off-balance sheet funds	**2,401**	**1,966**	**22.1**
Efficiency ratio (%)	**43.9**	**42.9**	
NPA Ratio (%)	**3.3**	**3.4**	
NPA Coverage Ratio (%)	**92**	**87**	

The changes in the main headings of activity in this business area are as follows:

"Loans And Advances To Customers" of this operating segment as of December 31,2014 amounted to €29,430 million, a 3.6% increase compared with the €28,397 million recorded as of December 31,2013, as a result of the evolution of the Garanti portfolios, particularly loans denominated in Turkish Lira, with a positive trend of commercial and consumer and portfolios. The asset quality indicators maintain their positive performance. "NPA ratio" of this operating segment as of December 31, 2014 was 3.3% compared with 3.4% as of December 31, 2013. "NPA coverage ratio" of this operating segment as of December 31, 2014 was 96% compared with 87% as of December 31, 2013.

"Customer deposits under management" of this operating segment as of December 31, 2014 amounted to €22,671 million, a 28.6% increase compared with the €17,634 million recorded as of December 31, 2013, as a result of increased volume in foreign-currency deposits of Garanti.

2.4.4. Mexico

Activity and Earnings

The period-on-period comparison of this area's financial statements is affected by the change in the exchange rates of the Mexican Peso against the euro. For the nine months ended September 30, 2014, the average exchange rate decreased with respect to the nine months ended September 30, 2013 resulting in a negative impact on the results of operations. On the contrary period-end exchange rate increased with respect to December 2013, resulting in a positive impact on activity. Therefore, the analysis of the changes in certain figures includes a reference to the percentage change at constant exchange rates.

During 2013 the sale of the pension fund manager in Mexico was closed. Results from this activity, as mentioned before, are classified as a result of corporate transactions in the Corporate Center.

	Millions of Euros		
Mexico	**2014**	**2013**	**% Change**
NET INTEREST INCOME	**4,910**	**4,478**	**9.6**
Net fees and commissions	1,166	1,183	(1.4)
Net gains (losses) on financial assets and liabilities and net exchange differences	195	208	(6.3)
Other operating income and expenses	250	325	(22.9)
GROSS INCOME	**6,522**	**6,194**	**5.3**
Operating expenses	(2,406)	(2,329)	3.3
Administration costs	(2,219)	(2,166)	2.5
Personnel expenses	(1,020)	(996)	2.4
General and administrative expenses	(1,199)	(1,170)	2.5
Depreciation and amortization	(187)	(163)	15.0
OPERATING INCOME	**4,115**	**3,865**	**6.5**
Impairment losses on financial assets (net)	(1,517)	(1,443)	5.1
Provisions (net) and other gains (losses)	(79)	(64)	22.2
Provisions (net)	(62)	(39)	60.3
Other gains (losses)	(17)	(26)	(34.7)
OPERATING PROFIT/ (LOSS) BEFORE TAX	**2,519**	**2,358**	**6.9**
Income tax	(604)	(555)	8.7
PROFIT FROM CONTINUING TRANSACTIONS	**1,916**	**1,802**	**6.3**
Profit from corporate operations (net)	-	-	-
PROFIT	**1,916**	**1,802**	**6.3**
Profit attributable to non-controlling interests	(1)	(1)	n.m.
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**1,915**	**1,802**	**6.3**

The changes in the main headings of the income statement of this business area are:

"Net Interest Income" of this operating segment for the year ended December 31, 2014 amounted to €4,910 million, a 9.6% increase compared with the €4,478 million recorded for the year ended December 31, 2013, due to increased activity volume while customer spreads remained stable year-on-year, despite the fall of interest rates in Mexico. At constant exchange rates, the inter-annual variation would have meant an increase of 14.1%.

"Net Fees and Commissions" of this operating segment for the year ended December 31, 2014 amounted to €1,166 million, a 1.4% decrease compared with the €1,183 million recorded for the year ended December 31, 2013, due to the devaluation of the Mexican peso. At constant exchange rates, the inter-annual variation would have meant an increase of 2.6%.

"Net Gains (Losses) On Financial Assets and Liabilities and Net Exchange Differences" of this operating segment for the year ended December 31, 2014 amounted to €195 million, a 6.3% decrease compared with the €208 million recorded for the year ended December 31, 2013, as a result of the devaluation of the Mexican Peso and decreased trading transactions, portfolio sales and exchange rate operations.

"Other Operating Income And Expenses" of this operating segment for the year ended December 31, 2014 amounted to €250 million, a 22.9% decrease compared with the €325 million recorded for the year ended

December 31, 2013, mainly as a result of increased claims on insurance activity caused by natural disasters like hurricanes, which was partially offset by the increase in insurance premiums. Higher contributions to the deposit guarantee fund.

"Gross Income" of this operating segment for the year ended December 31, 2014 amounted to €6,522 million, a 5.3% increase compared with the €6,194 million recorded for the year ended December 31, 2013. At constant exchange rates, the inter-annual variation has meant an increase of 9.6%.

"Administration Costs" of this operating segment for the year ended December 31, 2014 was a loss of €2,219 million, a 2.5% increase compared with the €2,166 million recorded for the year ended December 31, 2013, mainly as a result of the construction of the new headquarters and the implementation of expansion projects and branches improvement. The number of branches has been increased by 37 and the number of ATM by 1,247.

"Operating Income" of this operating segment for the year ended December 31, 2014 amounted to €4,115 million, a 6.5% increase compared with the €3,865 million recorded for the year ended December 31, 2013. At constant exchange rates, the inter-annual variation has meant an increase of 10.8%.

"Impairment Losses On Financial Assets (Net)" of this operating segment for the year ended December 31, 2014 was a loss of €1,517 million, a 5.1% increase compared with the €1,443 million recorded for the year ended December 31, 2013 due to the increase of the activity.

"Provisions (Net) And Other Gains (Losses)" of this operating segment for the year ended December 31, 2014 was a loss of €79 million, compared with the €64 million recorded for the year ended December 31, 2013. "Provisions (Net)" of this operating segment was a loss of €62 million, a 60.3% increase compared with the €39 million recorded 2013 due to transformation costs. "Other Gains (Losses)" of this operating segment was a loss of €17 million, compared with the €26 million loss recorded 2013.

"Operating Profit/ (Loss) Before Tax" of this operating segment for the year ended December 31, 2014 amounted to €2,519 million, a 6.9% increase compared with the €2,358 million recorded for the year ended December 31, 2013. At constant exchange rates, the inter-annual variation has meant an increase of 11.2%.

"Income Tax" of this operating segment for the year ended December 31, 2014 showed a loss of €604 million, a 8.7% increase compared with the €555 million recorded for the year ended December 31, 2013.

"Profit Attributable To Parent Company" of this operating segment for the year ended December 31, 2014 amounted to €1,916 million, a 6.3% increase compared with the €1,802 million recorded for the year ended December 31, 2013. At constant exchange rates, the inter-annual variation has meant an increase of 10.7%.

	Millions of Euros		
Mexico	**2014**	**2013**	**% Change**
Total Assets	**93,731**	**81,801**	**14.6**
Loans and advances to customers	**46,798**	**40,668**	**15.1**
Customer deposits under management (*)	**45,937**	**42,452**	**8.2**
Off-balance-sheet funds	**18,691**	**16,896**	**10.6**
Efficiency ratio (%)	**36.9**	**37.6**	
NPA Ratio (%)	**2.9**	**3.6**	
NPA Coverage Ratio (%)	**114**	**110**	

"Loans And Advances To Customers" of this operating segment as of December 31, 2014 amounted to €46,798 million, a 15,1% increase compared with the €40,668 million recorded as of December 31, 2013, mainly as a result of the increase in corporate lending and consumer finance. The asset quality indicators improved with respect to December 31, 2013. "NPA ratio" of this operating segment as of December 31, 2014 was 2.9% compared with 3.6% as of December 31, 2013. "NPA coverage ratio" of this operating segment as of December 31, 2014 was 114% compared with 110% as of December 31, 2013.

"Customer deposits under management" of this operating segment as of December 31,2014 amounted to €45,937 million, a 8.2% increase compared with the €42,452 million recorded as of December 31, 2013, mainly as a result of the positive trend in current and saving accounts (+13.5%) and time deposits (+15.2%).

"Mutual Funds" of this operating segment as of December 31, 2014 amounted to €18,691 million, a 10.6% increase compared with the €16,896 million recorded as of December 31, 2013.

2.4.5. South America

Activity and Earnings

The year-on-year comparison of this area's financial statements is affected by the change in the exchange rates of the region's currencies against the euro, which as indicated above have depreciated, particularly in the case of the Venezuelan bolivar (by the application in Venezuela the exchange rate resulting from the system for buying and selling currencies called SICAD I, complementary to the official market) and the Argentine peso. As well as the hyperinflation adjustment of Venezuela which has been particularly high during 2014. This has generated a negative impact on both activity and the income statement. For this reason, the most important figures include a reference to changes at constant exchange rates.

The sale of the pension fund administrators in Colombia, Peru and Chile was closed in 2013. As noted above, the earnings from this activity are classified under earnings from corporate operations in the Corporate Center.

	Millions of Euros		
South America	**2014**	**2013**	**% Change**
NET INTEREST INCOME	**4,699**	**4,660**	**0.8**
Net fees and commissions	901	970	(7.1)
Net gains (losses) on financial assets and liabilities and net exchange differences	482	763	(36.8)
Other operating income and expenses	(890)	(810)	9.9
GROSS INCOME	**5,191**	**5,583**	**(7.0)**
Operating expenses	(2,316)	(2,375)	(2.5)
Administration costs	(2,137)	(2,204)	(3.0)
Personnel expenses	(1,099)	(1,174)	(6.4)
General and administrative expenses	(1,038)	(1,030)	0.8
Depreciation and amortization	(179)	(171)	4.7
OPERATING INCOME	**2,875**	**3,208**	**(10.4)**
Impairment losses on financial assets (net)	(706)	(698)	1.2
Provisions (net) and other gains (losses)	(219)	(156)	40.2
Provisions (net)	(213)	(149)	42.8
Other gains (losses)	(6)	(7)	(17.4)
OPERATING PROFIT/ (LOSS) BEFORE TAX	**1,951**	**2,354**	**(17.1)**
Income tax	(490)	(523)	(6.3)
PROFIT FROM CONTINUING TRANSACTIONS	**1,461**	**1,831**	**(20.2)**
Profit from corporate operations (net)	-	-	-
PROFIT	**1,461**	**1,831**	**(20.2)**
Profit attributable to non-controlling interests	(460)	(607)	(24.3)
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**1,001**	**1,224**	**(18.2)**

The changes in the main headings of the income statement of this business area are:

"Net Interest Income" of this operating segment for the year ended December 31, 2014 amounted to €4,699 million, a 0.8% increase compared with the €4,660 million recorded for the year ended December 31, 2013, mainly as a result of increased activity practically in almost all countries and, to a lesser extent, hyperinflation in Venezuela.

"Net Fees and Commissions" of this operating segment for the year ended December 31, 2014 amounted to €901 million, a 7.1% decrease compared with the €970 million recorded for the year ended December 31, 2013, as a result of the year-on-year average depreciation of South American currencies against the euro. At constant exchange rates, net fees and commissions would have increased by 24.9% as a result of their growth in Venezuela, Peru and Argentina, which more than offset their year-on-year decrease in Chile.

"Net Gains (Losses) On Financial Assets and Liabilities and Net Exchange Differences" of this operating segment for the year ended December 31, 2014 amounted to €482 million, a 36.8% decrease compared with the €763 million recorded for the year ended December 31, 2013, as a result of the year-on-year depreciation of South American currencies against the euro. At constant exchange rates of South American currencies, net gains (losses) on financial assets and liabilities and net exchange differences would have increased by 10.8% as a result of the capital gains originated by the U.S. dollar positions maintained at Banco Provincial in Venezuela and Banco Francés in Argentina.

"Other Operating Income And Expenses" of this operating segment for the year ended December 31, 2014 was a loss of €890 million, compared with the €810 million loss recorded for the year ended December 31, 2013, as a result of higher contributions to the deposit guarantee funds as a result of the increased volume of deposit in several countries and, to a lesser extent, the negative effect of the adjustment for hyperinflation in Venezuela (which was partially offset by the effect of the depreciation of the Venezuelan bolivar fuerte).

"Gross Income" of this operating segment for the year ended December 31, 2014 amounted to €5,191 million, a 7% decrease compared with the €5,583 million recorded for the year ended December 31, 2013. At constant exchange rates, this heading is up 22.5%.

"Administration Costs" of this operating segment for the year ended December 31, 2014 was a loss of €2,137 million, a 3% decrease compared with the €2,204 million recorded for the year ended December 31, 2013, as a result of the year-on-year depreciation of currencies against the Euro and the effect of the hyperinflation of Venezuela and the inflation of the other countries. Without this negative exchange rate effect, "Administration costs" increased by 26.6% as a result of expansion plans and transformation being implemented in the region. The number of branches has been increased by 86 and the number of ATM by 411.

"Operating Income" of this operating segment for the year ended December 31, 2014 amounted to €2,875 million, a 10.4% decrease compared with the €3,208 million recorded for the year ended December 31, 2013. At constant exchange rates, the figure is 18.6%.

"Impairment Losses On Financial Assets (Net)" of this operating segment for the year ended December 31, 2014 was a loss of €706 million, a 1.2% increase compared with the €698 million recorded for the year ended December 31, 2013, mainly as a result of activity growth partially offset by the period-on-period depreciation of South American currencies against the euro. At constant exchange rates, impairment losses on financial assets would have increased by 27.4% in line with volume growth.

"Provisions (Net) And Other Gains (Losses)" of this operating segment for the year ended December 31, 2014 was a loss of €219 million, compared with the €156 million recorded for the year ended December 31, 2013. "Provisions (Net)" of this operating segment was a loss of €213 million, a 42.8% increase compared with the €149 million recorded 2013 due to a legal proceeding of €52 million of euros in Chile.

"Operating Profit/ (Loss) Before Tax" of this operating segment for the year ended December 31, 2014 amounted to €1,951 million, a 17.1% decrease compared with the €2,354 million recorded for the year ended December 31, 2013. At constant exchange rates, the increase is 8.9%.

"Income Tax" of this operating segment for the year ended December 31, 2014 showed a loss of €490 million, a 6.3% decrease compared with the €523 million recorded for the year ended December 31, 2013.

"Profit Attributable To Parent Company" of this operating segment for the year ended December 31, 2014 amounted to €1,001 million, a 18.2% decrease compared with the €1,224 million recorded for the year ended December 31, 2013.Without the negative exchange rate effect "profit attributable to parent company" the increase is 6,3%.

	Millions of Euros		
South America	**2014**	**2013**	**% Change**
Total Assets	**84,364**	**77,874**	**8.3**
Loans and advances to customers	**52,920**	**48,466**	**9.2**
Total customer deposits	**56,370**	**55,167**	**2.2**
Off-balance-sheet funds	**8,480**	**6,552**	**29.4**
Efficiency ratio (%)	**44.6**	**42.5**	
NPA Ratio (%)	**2.1**	**2.1**	
NPA Coverage Ratio (%)	**138**	**141**	

The changes in the main headings of activity in this business area are as follows:

"'Loans And Advances To Customers" of this operating segment as of December 31, 2014 amounted to €52,920 million, a 9.2% increase compared with the €48,466 million recorded as of December 31, 2013, mainly as a result of the positive trend in: an increase of 28% in consumer finance and credit cards (especially in Chile and Colombia); an increase of 16% in mortgages (mainly in Chile and Colombia) and an increase of 25% in companies (all countries, except Argentina and Uruguay). Concerning the asset quality indicators, "NPA ratio" of this operating segment as of December 31, 2014 was 2.1% remained unchanged as of December 31, 2013. "NPA coverage ratio" of this operating segment as of December 31, 2014 was 138% compared with 141% as of December 31, 2013.

"Total customer deposits" of this operating segment as of December 31, 2014 amounted to €56,370 million, a 2.2% increase compared with the €55,167 million recorded as of December 31, 2013.mainly due to the positive developments in current accounts, especially in Venezuela, and moderate growth in deposits in Chile and Colombia.

"Mutual Funds" of this operating segment as of December 31, 2014 amounted to €3,848 million, a 30.3% increase compared with the €2,952 million recorded as of December 31, 2013.

"Pension Funds" of this operating segment as of December 31, 2014 amounted to €4,632 million, a 28.7% increase compared with the €3,600 million recorded as of December 31, 2013.

2.4.6. United States

Activity and Earnings

The period-on-period comparison of this area's financial statements is affected by the change in the exchange rates of the U.S. Dollar against the euro. Period-end exchange rate increased with respect to December 2013, resulting in a positive impact on activity. Therefore, the analysis of the changes in certain figures includes a reference to the percentage change at constant exchange rates.

	Millions of Euros		
The United States	**2014**	**2013**	**% Change**
NET INTEREST INCOME	**1,443**	**1,402**	**2.9**
Net fees and commissions	553	507	9.2
Net gains (losses) on financial assets and liabilities and net exchange differences	145	139	3.8
Other operating income and expenses	(4)	(1)	n.m.
GROSS INCOME	**2,137**	**2,047**	**4.4**
Operating expenses	(1,497)	(1,429)	4.8
Administration costs	(1,318)	(1,250)	5.5
Personnel expenses	(861)	(820)	5.0
General and administrative expenses	(457)	(430)	6.3
Depreciation and amortization	(179)	(179)	0.1
OPERATING INCOME	**640**	**618**	**3.5**
Impairment losses on financial assets (net)	(68)	(74)	(8.2)
Provisions (net) and other gains (losses)	(10)	(10)	6.2
Provisions (net)	(9)	(1)	n.m.
Other gains (losses)	(2)	(9)	n.m.
OPERATING PROFIT/ (LOSS) BEFORE TAX	**561**	**534**	**5.1**
Income tax	(133)	(145)	(8.0)
PROFIT FROM CONTINUING TRANSACTIONS	**428**	**390**	**10.0**
Profit from corporate operations (net)	-	-	-
PROFIT	**428**	**390**	**10.0**
Profit attributable to non-controlling interests	-	-	-
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**428**	**390**	**10.0**

The changes in the main headings of the income statement of this business area are:

"Net Interest Income" of this operating segment for the year ended December 31, 2014 amounted to €1,443 million, a 2.9% increase compared with the €1,402 million recorded for the year ended December 31, 2013, as a result of the increased activity, which offset narrowing customer spreads in the prevailing low interest rates environment.

"Net Fees and Commissions" of this operating segment for the year ended December 31, 2014 amounted to €553 million, a 9.2% increase compared with the €507 million recorded for the year ended December 31, 2013, as a result of the positive trend of commissions from trading operations.

"Net Gains (Losses) On Financial Assets and Liabilities and Net Exchange Differences" of this operating segment for the year ended December 31, 2014 amounted to €145 million, a 3.8% increase compared with the €139 million recorded for the year ended December 31, 2013, mainly as a result of increased trading transactions during 2014.

"Gross Income" of this operating segment for the year ended December 31, 2014 amounted to €2,137 million, a 4.4% decrease compared with the €2,047 million recorded for the year ended December 31, 2013.

"Administration Costs" of this operating segment for the year ended December 31, 2014 was a loss of €1,318 million, a 5.5% increase compared with the €1,250 million recorded for the year ended December 31, 2013, mainly as a result of the purchase of Simple in 2014 as well as the construction of the new headquarters, the implementation of different advertising campaigns and plans to remodel the branch network.

"Operating Income" of this operating segment for the year ended December 31, 2014 amounted to €640 million, a 3.5% decrease compared with the €618 million recorded for the year ended December 31, 2013.

"Impairment Losses On Financial Assets (Net)" of this operating segment for the year ended December 31, 2014 was a loss of €68 million, a 8.2% decrease compared with the €74 million recorded for the year ended December 31, 2013, mainly as a result of the decrease in non-performing assets.

"Operating Profit/ (Loss) Before Tax" of this operating segment for the year ended December 31, 2014 amounted to €561 million, a 5.1% increase compared with the €534 million recorded for the year ended December 31, 2013.

"Income Tax" of this operating segment for the year ended December 31, 2014 showed a loss of €133 million, a 8% decrease compared with the €145 million recorded for the year ended December 31, 2013.

"Profit Attributable To Parent Company" of this operating segment for the year ended December 31, 2014 amounted to €428 million, a 10% increase compared with the €390 million recorded for the year ended December 31, 2013.

	Millions of Euros		
The United States	**2014**	**2013**	**% Change**
Total Assets	**69,261**	**53,046**	**30.6**
Loans and advances to customers	**49,667**	**38,067**	**30.5**
Customer deposits under management	**51,394**	**39,844**	**29.0**
Efficiency ratio (%)	**70.1**	**69.8**	
NPA Ratio (%)	**0.9**	**1.2**	
NPA Coverage Ratio (%)	**167**	**134**	

"Loans And Advances To Customers" of this operating segment as of December 31,2014 amounted to €49,667 million, a 30,5% increase compared with the €38,067 million recorded as of December 31, 2013 as a result of a widespread growth in companies portfolio (15.4%), consumer finance (+14.9%) and residential mortgages (+9.0%). At constant rates the growth is 14.9%.

The asset quality indicators continue to improve. "NPA ratio" of this operating segment as of December 31, 2014 was 0,9% compared with 1.2% as of December 31, 2013, as a result of a decrease in non-performing loans and a growth of loans and advances to customers (mainly in the commercial loan portfolio).

"NPA coverage ratio" of this operating segment as of December 31, 2014 was 167% compared with 134% as of December 31, 2013, as a result of the decrease in non-performing assets.

"Customer deposits under management" of this operating segment as of December 31, 2014 amounted to €51,394 million, a 29% increase compared with the €39,844 million recorded as of December 31, 2013, as a result of Compass campaigns designed to attract deposits since the beginning of 2014. At constant rates, the growth is 13.6%.

2.4.7. Corporate Center

As already mentioned, Corporate Center aggregate includes the result of certain corporate operations completed by the Group over 2013, in order to ensure that the accounts are comparable with the results of 2014, the effects resulting from the aforementioned corporate operations have been transferred to the heading "Income from corporate activities".

	Millions of Euros		
Corporate Center	**2014**	**2013**	**% Change**
NET INTEREST INCOME	**(651)**	**(671)**	**(3.0)**
Net fees and commissions	(92)	(3)	ns.
Net gains (losses) on financial assets and liabilities and net exchange differences	(60)	347	n.m.
Other operating income and expenses	139	(89)	n.m.
GROSS INCOME	**(664)**	**(416)**	**59.6**
Operating expenses	(989)	(1,168)	(15.3)
Administration costs	(530)	(733)	(27.7)
Personnel expenses	(450)	(479)	(6.1)
General and administrative expenses	(80)	(254)	(68.6)
Depreciation and amortization	(459)	(435)	5.6
OPERATING INCOME	**(1,653)**	**(1,584)**	**4.4**
Impairment losses on financial assets (net)	3	(11)	n.m.
Provisions (net) and other gains (losses)	(270)	(85)	215.9
Provisions (net)	(222)	(67)	228.7
Other gains (losses)	(48)	(18)	167.9
OPERATING PROFIT/ (LOSS) BEFORE TAX	**(1,920)**	**(1,680)**	**14.3**
Income tax	472	296	59.4
PROFIT FROM CONTINUING TRANSACTIONS	**(1,447)**	**(1,384)**	**4.6**
Profit from corporate operations (net)	-	383	n.m.
PROFIT	**(1,447)**	**(1,001)**	**44.6**
Profit attributable to non-controlling interests	3	(116)	n.m.
PROFIT ATTRIBUTABLE TO PARENT COMPANY	**(1,444)**	**(1,117)**	**29.3**

The changes in the main headings of the income statement of this business area are:

"Net Interest Income" of this operating segment for the year ended December 31, 2014 was a loss of €651 million, compared with the €671 million loss recorded for the year ended December 31, 2013.

"Net Gains (Losses) On Financial Assets and Liabilities and Net Exchange Differences" of this operating segment for the year ended December 31, 2014 was a loss of €60 million, compared with the €347 million recorded for the year ended December 31, 2013 when certain portfolios from Unnim were sold. The lower contribution from investments in associate and joint ventures entities and negative exchange hedges also contributed to the year-on-year decrease.

"Other Operating Income And Expenses" of this operating segment for the year ended December 31, 2014 amounted to €139 million, compared with the €117 million recorded for the year ended December 31, 2013. Notice that under "Other Operating Income and Expenses" in 2013 is included the impact of the restatement of the contribution to the Deposit Guarantee Fund mentioned above. Without this impact, the amount for this heading would increase at 18.2% as a result of the dividends received from Telefónica during 2014.

"Gross Income" of this operating segment for the year ended December 31, 2014 was a loss of €664 million, compared with a loss of €416 million recorded for the year ended December 31, 2013.

"Administration Costs" of this operating segment for the year ended December 31, 2014 was a loss of €530 million, a 27.7% decrease compared with the €733 million recorded for the year ended December 31, 2013, mainly as a result of the cut costs plans related to the transformation processes carried out by the Group.

"Operating Income" of this operating segment for the year ended December 31, 2014 was a loss of €1,653 million, compared with a loss of €1,584 million recorded for the year ended December 31, 2013.

"Impairment Losses On Financial Assets (Net)" of this operating segment for the year ended December 31, 2014 amounted to €3 million, compared with the €11 million recorded for the year ended December 31, 2013.

"Provisions (Net) And Other Gains (Losses)" of this operating segment for the year ended December 31, 2014 was a loss of €270 million, compared with the €85 million recorded for the year ended December 31, 2013. "Provisions (Net)" of this operating segment was a loss of €222 million, compared with the €67 million recorded 2013, as a result of higher provisions for the costs related to the transformation processes undertaken by the Group.

"Operating Profit/ (Loss) Before Tax" of this operating segment for the year ended December 31, 2014 was a loss of €1,920 million, compared with the €1,680 million loss recorded for the year ended December 31, 2013.

"Income Tax" of this operating segment for the year ended December 31, 2014 amounted to €472 million, compared with the €296 million gain recorded for the year ended December 31, 2013.

"Profit Attributable To Parent Company" of this operating segment for the year ended December 31, 2014 was a loss of €1,444 million, compared with the €1,117 million loss recorded for the year ended December 31, 2013. As noted above, the heading includes the earnings from corporate operations, providing a positive result of €383 million.

3. Environmental information

3.1. Environmental commitment

The BBVA Group prioritizes sustainable development. As a financial institution, the Group's activities have a significant impact on the environment: be it through its consumption of natural resources, management of its properties, use of paper, travel, etc. (direct impacts), or through the consequences for the environment of the products and services it provides, particularly those related to financing, asset management and management of its chain of suppliers (indirect impacts).

3.2. Aims of the environmental policy

The objectives of the BBVA Group's environmental policy are as follows:

- To comply with prevailing environmental legislation where the BBVA Group operates.
- To continuously improve the identification and management of environmental risks in the Group's financial and investment operations.
- To integrate the environmental variables into the development of financial products and services.
- To reach Eco-efficiency in the use of natural resources, setting and fulfilling objectives for improvement as set out in the Global Eco-efficiency Plan.
- To manage direct impacts through an environmental management system based on ISO 14001 and other recognized environmental certifications.
- To have a positive influence on the environmental behavior of stakeholders through communication and raising awareness of the importance of the environment as an additional input in business and human management practice.
- To inform, raise awareness of, and train employees in environmental issues.
- To provide support for sponsorship, voluntary work and environmental research.
- To provide support for the main initiatives aimed at fighting and preventing climate change.

The main international environmental commitments undertaken by the BBVA Group are:

- United Nations Global Compact (since 2002): www.globalcompact.org
- UNEP- FI (since 1998): www.unepfi.org
- Equator Principles (since 2004): www.equator-principles.com
- Carbon Disclosure Project (since 2004): www.cdproject.net
- Principles for Responsible Investment (since 2008) www.unpri.org

3.3. Environmental policy scope, governance and review

This environmental policy has worldwide scope and affects all the activities undertaken by the Group, i.e. the banks and subsidiaries in which BBVA has effective control. The Eco-efficiency and Responsible Procurement Committee is responsible for coordinating the Environmental Policy and ensuring compliance with it through an environmental management system. The members of the BBVA Group's Management Committee oversee correct compliance with this Policy. To this end, its members strive to develop and oversee the implementation of this Policy in the Group. This Policy will be reviewed and updated at least every two years.

3.4. Main environmental actions in 2014

The main environmental actions that the BBVA Group carried out in 2014 are as follows:

- Global Eco-Efficiency Plan for 2013-2015, which establishes the following objectives:
  - 6% reduction in CO2 emissions (per employee).
  - 3% reduction in paper consumption (per employee).
  - 3% reduction in water consumption (per employee).
  - 3% reduction in energy consumption (per employee).
  - 33% of employees working in buildings awarded environmental certifications.
- Improved environmental risk management systems in project finance through Equator Principles and in determining borrower credit profiles through the tool Ecorating.
- Social and environmental risk training for the Group's risk analysts.
- Leadership in financing of renewable energy projects internationally.
- Activity with multilateral institutions that contribute to regional development through the project finance and trading operations, mainly in the agricultural and energy efficiency sectors.
- Support for major international initiatives to fight against climate change such as CDP, Global Investor Statement on Climate Change and the Green Bond Principles.
- Development of ambitious environmental sponsorship programs, particularly through the BBVA Foundation. Worth noting are the BBVA Foundation Frontiers of Knowledge awards in the Ecology, Conservation Biology and Climate Change categories, each provided with €400,000, as well as the BBVA Foundation Award for Biodiversity Conservation which carry a total cash prize of €580,000
- Environmental awareness-raising activities with the Group's employees.

As of December 31, 2014, there are no items in the BBVA Group's consolidated Financial Statements that warranted inclusion in the separate environmental information document set out in the Ministry of Economy Order dated October 8, 2001.

4. Staff information

With a team of 108,770 people, located in 31 countries, BBVA is an organization that offers careers in an environment of camaraderie and team work, undertaking to develop talent, without discrimination, and reward people based on their results. In return, the company asks its teams for effort and dedication in order to obtain good results. For the Group, achieving this goal involves maintaining, at all times, customer focus, respect for people, teamwork and acting in accordance with high ethical standards.

4.1. Professional development

People are key to realizing the business strategy and, therefore, recruitment, development and retention of talent has a significant impact on the organization's current and future performance. Consequently, the Bank makes adequate resources available to people for them to grow professionally and improve their skills:

- Campus BBVA: with an annual budget of 40 million euros, which means an average of 47 hours per professional activity this year has been distributed in 64% of e-learning and 36% of classroom training
- apúntate +: as a means to encourage development and transparency in promotion criteria, vacancies are posted on "apúntate+", which is our global tool to provide information on the internal selection processes. In 2014, 4,569 vacancies were posted, for which 11,895 of our professionals applied
- Self-Development Plan: on the basis of competency-based management, each BBVA employee's strengths and areas for improvement are determined every two years. Consequently, after the individual analysis, a personal training offering is identified, which takes into account the elements to enhance and the most appropriate courses for this purpose.

  In addition, people are also supported in different stages of their professional development through mentoring and coaching.
- Talent Pool: the degree of consolidation of policies and HR processes enables us to obtain homogeneity in the identification and management of the most strategic talent, in order to place it where it could contribute greater value.
- Diversity: since 2010, we have been increasing our efforts to match job opportunities and career development between men and women in the Group. The Global Diversity Plan focuses on three vectors (maternity, professional development and awareness) and has 10 initiatives already implemented. In addition, countries/ areas have implemented additional local measures. In 2014, the presence of women in the management team reaches 18.48%, which is 67 basis points higher than the previous year.
- Recruitment: we have a policy that provides a global framework for action that is flexible and adaptable to each country's circumstances. Assessing candidates' skills and knowledge is performed by referencing the corporate assessment model. Between 2014 and 2015, 13 million euros will be invested to aid young people in joining the labor force through the “Becarios 3.000” program. This year 2,200 young people have benefited (1,644 of them, in Spain, under the “Becarios” program). In addition, 12,150 people have joined the Group; 60% of these new hires were under 30 years old.

4.2. A quality working environment

- Employee Satisfaction Survey: every two years, this process takes place throughout the Group in order to identify areas for improvement. In its latest edition (2014), 101,278 employees were invited to participate. With a response rate of 79%, the overall satisfaction rate stood at 77.3%, representing an improvement of 1.5 points over 2012.
- Health & safety at work: special attention has been paid to evaluating and preventing occupational risks through the relevant departments in each country. Likewise, planned actions are being put in place to ensure healthier environments and work plans, and road safety, among other things. In addition, health promotion campaigns are also being driven, as well as training and information providing initiatives to improve the quality of life of the people working at BBVA, which fall under the corporate program B-Well.

Spain's occupational health basic information	2014	2013
Evaluated workplaces	832	779
Technical measures of prevention	2,037	3,334
Preventive actions to improve working conditions	2,869	4,113
Appointments for medical check-ups	16,145	19,367
Employees represented on the Safety and Health committees	100	100
Absenteeism rate	2.2	2

- Passion for People: through this corporate program we make a range of deals available to our team so they can enjoy the best entertainment or make purchases on favorable terms purely because they work at BBVA (sporting events, concerts, exhibitions, camps and activities for children, travel, etc.)
- Corporate Volunteer Policy: launched in 2014, in order to aid the appropriate conditions so our team can participate in these activities during working hours.

4.3. Results oriented

Performance Evaluation: at BBVA we work toward objectives and their compliance are quantitatively and qualitatively measured and evaluated annually. This process enables the annual variable compensation to be established, which is aimed at rewarding individual, group and organizational results, measured through customer, financial and other indicators.

4.4. BBVA attitude

- Passion Awards: this project aims to recognize people that stand out in any of the four attitudes (Customer Commitment, Simplicity, Teamwork and Responsibility) and the best initiatives undertaken by the various units to realize these (Customer, Simplicity and Service).
- Likewise, 10% of variable remuneration is linked to three of the BBVA Attitude behaviors (Simplicity, Team and Responsibility).

For information on the total number of employees, split by professional category, geographical area and gender see Note 43 of the consolidated financial statements attached.

5. Liquidity and Group solvency

5.1. Liquidity and finance prospects

Liquidity and finance management of the BBVA Group's balance sheet helps to fund the recurrent growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of finance. A core principle in the BBVA Group's liquidity and finance management is the financial independence of its banking subsidiaries. This aims to ensure that the cost of liquidity is correctly reflected in price formation and that there is sustainable growth in the lending business.

Short and long-term wholesale financial markets performed well in 2014, thanks to the decisive action taken by the European Central Bank (cuts in interest rates, the launch of the 4-year Targeted Long-Term Refinancing Operations, the Covered Bond/ABS purchase program, etc.), continued progress in the integration of Europe and banking union, and the improved perception of risk in European countries. In addition, the expectations that the European Central Bank will finally implement a large-scale sovereign debt purchase program (Quantitative Easing) in 2015 also had a very positive effect on the markets.

In the end, the ECB's Asset Quality Review and the stress tests conducted by the EBA had a limited impact on the market, despite the fact that 25 banks failed the tests.

BBVA Group's balance sheet continued to generate liquidity in 2014, thanks to the good performance of customer funds, which have maintained an upward trend and offset the increase in lending.

In 2014, BBVA's euro balance sheet continued its deleveraging process in an environment of low demand for credit and stable customer funds. As regards wholesale funding, it was not necessary to renew all the medium and long-term funding maturities, and there was less need to resort to the funding offered by the ECB through its auctions.

Outside Europe, the situation has also been positive across BBVA's footprint, enabling the Bank to strengthen its liquidity position in all the regions where it is present. The financial soundness of banks is based on the funding of their lending activity, basically through customer funds. Fund gathering has been remarkable in Mexico throughout the year, providing a strong liquidity position and keeping the commercial gap in check. In the case of BBVA Compass, excess liquidity has been the dominant trend in 2014, despite the demands of lending activity. In South America, growth in lending has been accompanied by a favorable performance in customer funds. They made a positive contribution in terms of liquidity for all the Group subsidiaries, which show comfortable levels in local liquidity ratios. This situation has also been helped by the issues in both the domestic and international markets in the various regions, with a combined volume of more than €1 billion.

BBVA completed the entire funding program for 2014 before July. It is worth noting that the market continues to offer very favorable conditions for all types of debt and capital products.

Various traded instruments have been issued in 2014: €1 billion in 5-year senior bonds; €1 billion in 10-year covered mortgage bonds; €1.5 billion in contingent convertible securities (eligible as Additional Tier 1 or AT1 capital); and €1.5 billion in subordinated debt (eligible as Tier 2 or T2 capital). These last two issues were also designed to add to the capital buffers of 1.5% of AT1 and 2% of T2, as allowed by the capital requirements directive (CRD-IV).

The cost of funding was lower in 2014 than in 2013, due mainly to the general narrowing of spreads and very low interest rates.

As regards the regulatory environment in Europe, compliance with the Liquidity Coverage Ratio (LCR), which BBVA has maintained at levels above 100% in recent quarters, will become mandatory in October 2015. In both Mexico and the U.S., the LCR ratio has been adapted to local regulations in 2014. This will be binding for BBVA Bancomer in 2015 and for BBVA Compass in 2016.

The following is a breakdown of maturities of wholesale issues (balance sheet in Euros) by the nature of the issues:

	Millions of Euros				
Maturity of wholesale issues	**2015**	**2016**	**2017**	**After 2017**	**Total**
Senior debt	6,273	3,377	393	4,245	14,288
Mortgage-covered bonds	4,279	4,928	7,074	10,210	26,491
Public covered bonds	-	-	526	500	1,026
Regulatory equity instruments (*)	1,027	208	70	6,322	7,627
Other long term financial instruments	-	151	250	860	1,261
Total	**11,579**	**8,664**	**8,313**	**22,137**	**50,693**

(*) The regulatory equity instruments are classified in this table by their terms according to their contractual maturity.

In addition, within the framework of the policy implemented in recent years to strengthen its net worth position, the BBVA Group will at all times adopt the decisions it deems advisable to maintain a high degree of capital solvency. Specifically, the AGMs held on March 11, 2011 and March 16, 2012 authorized the issue of fixed-income securities and convertible bonds, as detailed in Note 26 to the accompanying consolidated financial statements.

5.2. BBVA Group solvency and capital ratios

The BBVA Group's solvency and capital ratios information in accordance with the applicable rules in 2014 is detailed on the Note 31 of the consolidated financial statements.

5.2.1. Comprehensive assessment of banks

As mentioned above, the ECB and the EBA are carrying out a comprehensive assessment of the 128 most significant European credit institutions before the Single Supervisory Mechanism (SSM) takes on its functions for overseeing European credit institutions starting on November 4, 2014.

The objective of this assessment is to provide transparency about the solvency of the European banking system, adopting measures such as any additional capital needs of any of the entities in the event that the results of this assessment showed in that way.

On October 26, 2014, the results of the comprehensive assessment conducted by the ECB and EBA were released. This assessment consisted, principally, of an asset quality review (AQR) and one stress test. The main objective was to quantify potential capital shortfalls of each entity before the entry of the Single Supervisory Mechanism (SSM) in which the major European banks begin to be directly supervised by the ECB.

Concerning BBVA Group, the results expressed that BBVA would reach as of December 2016 a level of 9.0% CET1 on the adverse scenario and a 10.6% on the base scenario, much higher than the minimum required of 5.5% and 8.0% respectively). Additionally, BBVA is one of the few banks of its European peer group whose fully loaded CET 1 in 2016 on the adverse scenario is over 8.0% (8.2%). These results meant passing the tests for a difference of 13,223 million of euros in the adverse scenario. Definitively, the Group demonstrated, once again, its high solvency. Also evidenced that is well positioned to deal with the new industry environment in Europe.

.

5.3. Contractual obligations and Off- Balance Sheet transactions

The BBVA Group's risk information and contingent liabilities is described in Note 32 of the accompanying consolidated financial statements. The information about purchase and sale commitments and future payment obligations is described in Note 34 of the accompanying consolidated financial statements.

6. Risk management

The BBVA Group's risk management system and risk exposure is described in Note 7 "Risk management" of the accompanying consolidated financial statements.

Note 7 "Risk management" of the Consolidated Financial Statements includes detailed quantitative and qualitative information on finance to the real-estate sector (developers and construction) and for housing purchases in Spain.

7. Economic outlook

Global GDP will accelerate its growth from 3.3% in 2014 to 3.7% in 2015. This improvement is based on the increased traction provided by U.S. expansion, due to the decisive policies implemented by the U.S. authorities since the start of the crisis: capitalization of the financial system, fiscal stimuli and the extraordinary expansion of liquidity by the Fed. In Europe, the stronger measures taken by the ECB to avoid the scenario of continued deflation, the progress made toward banking union, and a less restrictive stance on fiscal policy should have contributed to a gradual improvement in growth in 2014, albeit at rates that are still very low. Meanwhile China will have continued its moderate slowdown, controlled by the authorities which are managing the transition from an export-oriented economy to one focused on services and domestic consumption. All these factors have led to many emerging economies having a less positive international outlook, with a worsening of the terms of trade for their commodity exports and less favorable conditions for accessing the global financial markets as a result of the gradual withdrawal of stimuli by the Fed over the year. Nevertheless, the decline in oil prices below the levels of early 2014 has a positive impact on the global economy as a whole, although not for oil exporting countries. More abundant oil at lower prices increases disposable income of households and fuel consuming companies, which encourages consumer spending and investment.

The expected growth scenario for 2015 is consistent with financial markets in which the euro will continue to lose against the dollar, in a trend that began in the third quarter of 2014; particularly if the expectations of additional relaxation by the central banks of Japan and China are consolidated. In this scenario, the outlook for the exchange rates of the currencies in which BBVA operates will be more dependent on idiosyncratic factors such as respective monetary and fiscal policies, which will try to give as much support as possible to demand growth.

8. Innovation and Technology

8.1. Information technologies and Digital transformation

In 2014, the Innovation and Technology (I&T) area has structured its activity around six main lines of action:

- Infrastructure
- Core banking
- SMAC Technologies
- Operating model transformation
- New ways of working
- Operations control and Information Security

8.1.1. Infrastructure

The increasing use of digital channels by customers has exponentially increased technological infrastructure processing needs. With increasing levels of customer digitization the use of channels has become more intense. This results in the need for an infrastructure with greater processing capacity.

In 2014 BBVA continued to make progress in its plan to construct a network of four new next-generation data centers, two in Madrid and two in Mexico, which will operate in a crossed Business Recovery Services (BRS) model. The first Data Processing Center (DPC) is already operational in Madrid and in 2015 the first will enter service in Mexico. Specifically, in 2014 BBVA became the first bank in Europe to achieve the Tier IV Gold certification for its BBVA DPC in Tres Cantos (CPD TC 2), granted by the Uptime Institute for classifying operational sustainability.

With the aim of achieving greater efficiency, BBVA has reached new agreements this year with telecommunications providers such as Telefónica, Verizon, Vodafone, Telmex, etc. At the same time it has renewed the Group's biggest software agreement with IBM with the firm aim of providing greater flexibility and boosting mobile channels. It has also closed an agreement with BMC to establish platforms for managing IT, automation and analytics software, which will speed up the transformation of digital banking in BBVA.

With respect to South America, in 2014 there has been a significant renewal in the park of self-service banking devices. Many of the new models provide new functionalities such as allowing customers to make cash deposits without the need for subsequent manual counting. There has also been investment in customer biometric authentication systems in branches for identification purposes.

8.1.2. Core Banking

Part of the technological transformation project begun by BBVA in 2007 has consisted in optimizing core banking in each of the geographical areas (Spain and Portugal, Mexico, the United States, South America and the Corporate & Investment Banking business area at global level), with the aim of having modular technological platforms available with a customer-centric vision.

Along these lines, in Spain a new global supply model was implemented during the year to standardize and simplify processes, while improving the reporting functions offered by the information platform, with dashboards are available on mobile devices. The Advanced Version Financial Services Architecture has also been put into production. This element makes it easier to develop the omni-channel strategy as it integrates, provides a service and assists the development of different channels through which the Bank provides a service. Another milestone has been the renewal of the Group's service-level agreements (SLAs) with the different providers to adapt them to the reduced current service needs following implementation of the new platform.

In Mexico the three-layer service architecture has been implemented in Bancomer.com, providing a better prepared platform for the development of the new digital products and services.

In 2014, the CIB technology in the BBVA Group has evolved through a variety of projects: the implementation of a new back-office tool for the management and administration of fixed-income operations in Mexico; the integration of the Global Lending loan applications with systems for BBVA corporate consolidation, accounting and reporting; and a tool for the process of effective equity trading in international markets.

8.1.3. SMAC Technologies

BBVA is putting particular emphasis on the Social, Mobile, Analytics and Cloud (SMAC) technologies. At BBVA we are developing projects using all the above trends, in order to generate the necessary infrastructure capacities and to create value from them, basically by the development of new digital content.

Big Data

The Group has already been working for some time on its commitment to big data and data analytics solutions.
In 2014 big data tools were incorporated to help our customers search recent activity via our online banking application. Thanks to the use of big data, customers have a much more powerful and quicker activity search engine available, while BBVA has reduced costs and freed the host from millions of monthly transactions involved in account activity searches.

During the year new big data capabilities have been applied in the area of Commercial Intelligence, allowing calculations to be made within hours, rather than in weeks as before. This gives BBVA earlier information about customer needs with immediate data such as the use of channels, digital behavior, etc.

Mobility technologies

In line with BBVA's commitment to SMAC technologies in 2014, there have been a number of milestones in the area of mobile technologies, supporting the development of the Group's omni-channel strategy, designed to create an experience through which customers can interact with BBVA through any channel, anytime and anyplace.

The initiatives developed include defining the strategy for reaching the channels according to the device (native, web-responsive or hybrid apps, etc.) in order to offer the same customer experience across all the Group's channels. A number of initiatives have also been developed to generate new digital content, such as the incorporation of new functionalities for contracting products in the digital channels and the creation of initiatives that cut across all the channels, such as the application of gaming mechanics to non-gaming environments (gamification)

The Group has made significant progress in implementing new models of relations such as BBVA Contigo, an alternative model of customer relations launched in Spain aimed at people who are looking for a more remote relation with BBVA. In the United States, the Group launched Banker Link at the end of 2014. This is a new drive-through banking service that combines personal service from a branch manager with the self-service functionalities of an ATM. The Group has also launched a similar service in Mexico and the Group's other geographical areas as part of this strategy.

In addition, BBVA has launched and developed various digital products and services and is working on new developments. One example of this type of initiative is BBVA Wallet, the mobile application launched by BBVA at the close of 2013. It has consolidated its position as the most popular mobile banking payment application, with more than 400,000 downloads at the close of 2014. BBVA Wallet users have a number of functionalities available, such as management of their card transactions quickly and securely through their cell phones, payments through cell phones and financing payments made with BBVA credit cards. In May BBVA Wallet received an award at the CMA Contactless & Mobile Awards 2014 for the best mobile payment solution in Europe. With Wallet, BBVA has become the first financial group in the world to launch a mobile NFC payment solution2 that uses the Visa cloud-based specification. The system allows BBVA customers with Android NFC-equipped terminals to make contactless purchases by simply downloading the app.

8.1.4. Operational model transformation

Throughout 2014, BBVA has continued to make progress in its operational transformation plan, whose aim is to carry out operations offering an optimum level of quality at the lowest possible unit cost, while reducing risk via a flexible, global model. This transforms all the front office operations, i.e. those that are generated in the channels (where there is direct interaction with customers), as well as the middle and back office.

The Group has begun to implement the new Operational Industrialization model, with digitization of the first business operations processes. At the same time, major projects have been implemented, such as the adaptation of operations to the SEPA European standard.

In 2014 deployment also began on the new Contact Centers platform. This has been an important step in strengthening BBVA's omni-channel strategy. BBVA has a contact center network through which customers can interact with the Bank in all the countries where the Group operates. Recently, a plan has been implemented to adapt the service provided by these centers in order to bring them into line with the new omni-channel environment and boost their role as a hub between the physical and digital world. The project is already underway in Spain and Venezuela, and in 2015 it will be launched in Mexico and Peru.

In South America a procurement hub has been created located in Chile, with the main aim of achieving synergies in the main categories of products purchased.

With respect to the Group's outsourcing operations, during the year the global and local outsourcing management function has been consolidated to ensure the management of the flow of all the new contracts and their renewals, as well as the maintenance of an updated stock of contracts. In addition, this year a new corporate outsourcing management regulation has been published and implemented in each geographical area, adapted to local regulatory requirements.

[2] Near Field Communication

8.1.5. New ways of working

Several projects have been developed with respect to new forms of working in the Group, with special emphasis in two areas: improvement in the technological experience of the spaces called "BBVA Cities"; and the collaborative environment, an omni-channel web desktop that provides the Group's employees in all the geographical areas with a set of functionalities designed to simplify and optimize ways of working.

In 2014 a new version of the collaborative environment has been deployed, which develops and extends it to the mobile environment. It also includes new functionalities, more collaboration and more personalization. The Group's collaborators have also received a new Directory and the logistical courier service in Spain has been optimized with the aim of providing a better quality service, improving user experience and reducing costs.

8.1.6. Operations Control and Information Security

In 2014 significant progress has been made in consolidating the specialist Operational Control function within the Group's Operational Risk Model, as well as its model of governance. The design of a standard control model has also been completed with a focus on the most critical business processes. Implementation has begun in all the Group's banks and business areas.

Since 2007 the BBVA Group has had a Technological Risk model in place based on three pillars: information security; management of technological fraud; and IT risk management, aimed at managing fraud and technological risk. The sole aim is to protect the information of our customers and collaborators and to prevent cyberattacks and threats. It is a pioneering model that combines both classic techniques and the most advanced security techniques.

Throughout the year more emphasis has been placed on the development of this technological risk model with a series of milestones, such as the start of the implementation of a new technological risk management model common to all the countries, based on the international Cobit 5.0 standard; and the implementation in Mexico of the Lynx card fraud monitoring system to improve the level of detection of fraudulent operations.

Also of note is the launch of an update of the Master Information Security Plan 4.0, its multi-year cybersecurity and technological risk program with the aim of being better prepared to respond to increased and more powerful attacks and changes in the environment.

In addition, the Business Continuity initiatives incorporate a set of procedures to deal with scenarios where people, centers or suppliers become unavailable. To this end, efforts have been made in order to fully implement and update 136 continuity plans in 24 countries. Some of them have been fully or partially activated over the year, as in the case of the winter storm in Alabama (United States); the category 2 hurricane Odile that affected the area of La Paz and Los Cabos in the north-east of Mexico; and the earthquake in Chile, whose impact was focused in the north of the country.

8.2. Model of open innovation

As part of its digital strategy, the BBVA Group has developed an open innovation model with the innovation and entrepreneurship community through a variety of internal and external initiatives.

Through the BBVA Ventures fund, located in Silicon Valley, the Bank invests in disruptive startups in the area of innovation and financial services. At the close of 2014, BBVA announced investment in the startups Taulia, DocuSign and Personal Capital, which were added to the investments the Group already had in its portfolio.

BBVA also aims to acquire digital companies from which it can learn and that reinforce the Group's digital transformation strategy. An example of this is the Group's announcement in February 2014 that it had acquired Simple, a company based in Portland, Oregon (U.S.), which combines innovative technology, outstanding customer experience and behavioral economics experience to help its customers spend more intelligently and save more. At the close of the year, BBVA also acquired Madiva Soluciones, a Spanish startup specializing in services based on Big Data processing and Cloud Computing.

Based on talent and internal resources, the Group also aims to act as a seed incubator for innovation products and new business models that are disruptive and independent of the traditional banking business. Wizzo, the first native digital product launched in Spain, is an example of the initiatives that the Bank aims to promote. Launched at the close of 2013, it is a web and mobile app available for iOS and Android that makes payments between individuals easier, allows users to pool money and makes it possible to take money out of an ATM without a card. In addition, Wizzo users can ask for a physical or contactless card with which to make payments via a cell phone.

Finally, through the BBVA Innovation Centers, the group aims to forge a significant presence in the innovation and entrepreneurship community and consolidate its open innovation model. In 2014, the Innovation Center has continued to expand its global footprint: In March of last year BBVA opened the Innovation Center in Bogota (Colombia), and the Innovation Center in Houston (USA) opened its doors in June. Over 100 events and thousands of visitors in 2014 are proof that the Innovation Center has consolidated its position as a meeting point for the innovation and entrepreneurial community.

In 2014, a space was opened designed to turn the Innovation Center into a stage for real interaction with users, called the Living Lab. This environment replicates the spaces where people normally interact with BBVA and allows us to better observe and study their preferences and listen to their feedback in order to improve the products and services we will offer them in the future.

Also in 2014, we held the first hackathon Innova Challenge, a competition for the development of applications using transaction data that BBVA shared with the developer community. A total of 144 eligible projects from 19 countries were submitted, and nine applications were rewarded with €90,000 in prizes. This activity has already demonstrated the enormous talent and large number of ideas that can arise out of open innovation, with applications currently under analysis by the Group to enrich our value proposition for the market.

9. Capital and treasury stock

Information about the structure of common stock and transactions with treasury stock can be found in Notes 25 and 27 of the accompanying consolidated Financial Statements.

10. BBVA share and shareholder remuneration

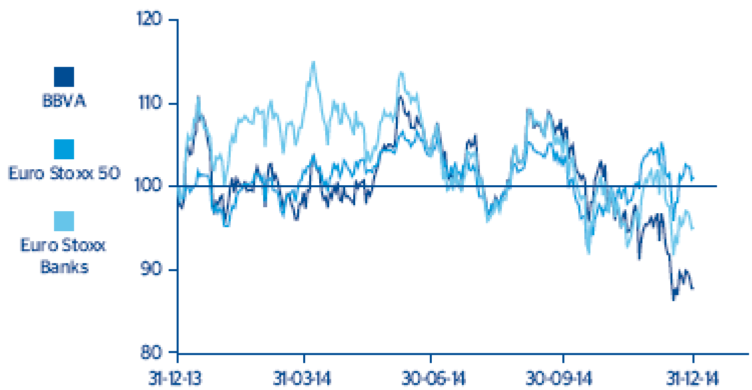
The performance of the stock-market indices in the United States and Europe continued to differ in 2014. In the United States the S&P 500 index closed with a year-on-year rise of 11.4%, while in Europe the Stoxx 50 index gained 2.9% in the same period. In Spain, the Ibex 35 index gained 3.7% since December 31, 2013.

In contrast, the banking sector indices have in general been weaker than the respective general indices. Specifically, the S&P Regional Banks index in the United States only gained 8.5%, while the Euro Stoxx Banks, which includes banks in the Eurozone, lost 4.9% from its closing levels in 2013.

BBVA share performance in 2014, along with major indexes is shown below:

BBVA share evolution compared with European indices

(Base indice 100=31-12-2013)



At the close of 2014, BBVA Group maintained a sound capital and balance-sheet position, which has also been confirmed by the results of the Comprehensive Assessment conducted by the European Central Bank and the European Banking Authority. BBVA's proven capacity to generate earnings and the quality of its capital ratio has made it one of the European entities that have passed this assessment with greatest ease, even under the most adverse scenario of the stress tests.

The comparative performance of the BBVA share in 2014 has been affected by its significant gains in 2013. Its price has fallen year-on-year by 12.2%, mainly in the last quarter, to €7.85 per share close of 31-Dec-2014. This amount represents a market capitalization of €48,470 million, a price/book value ratio of 1.0 and a PER of 17.3 (calculated on BBVA Group's net attributable profit for 2014).

BBVA share performance ratios	2014	2013
Number of shareholders	960,397	974,395
Outstanding shares	6,171	5,785
Daily average trading (number of shares)	49	56
Daily average trading (millions of euros)	437	411
Maximum price (euros)	10	9.40
Minimum price (euros)	8	6.18
Last price (euros)	8	8.95
Book value per share (euros)	8	8.18
Market capitalization (millions of euros)	48,470	51,773
Price/ fair value (times)	1	1.1
PER (price/ profit; times)	17.3	23.2
Dividend yield (dividend/price, %)		4.1

BBVA Group Shareholder structure as of December, 2014:

The number of BBVA shares as of December 31, 2014 totaled 6,171 million, compared with 5,785 million as of December 31, 2013. This increase of 385 million shares is explained by the capital increases against reserves completed for the implementation of the shareholder remuneration scheme known as the "dividend option" and by the €2,000 million capital increase carried out on November 20, 2014 through an accelerated bookbuilt offering aimed at institutional investors, with the exclusion of preferential subscription rights. The capital increase entailed the issue of 242,424,244 new ordinary BBVA shares, equivalent to 4.09% of BBVA's share capital before the capital increase.

The number of BBVA shareholders as of December 31, 2014 stood at 960,397, compared with 974,395 as of December 31, 2013, a slight reduction of 1.4% over the period.

As regards the shareholder structure, 46.1% of the share capital belongs to investors resident in Spain, while the percentage owned by non-resident shareholders has continued to increase to 53.9% (compared with 52.3% in 2013).

	Shareholders		Shares	
Shareholders' tranches	Number	%	Number	%
Up to 150	237,602	24.7%	16,905,523	0.3%
From 151 to 450	205,237	21.4%	55,701,184	0.9%
From 451 to 1.800	283,498	29.5%	262,109,459	4.2%
From 1.801 to 4.500	122,226	12.7%	348,132,950	5.6%
From 4.501 to 9.000	57,042	5.9%	358,401,121	5.8%
From 9.001 to 45.000	48,230	5.0%	842,172,408	13.6%
From 45.001 onwards	6,562	0.7%	4,287,916,350	69.5%
Total	**960,397**		**6,171,338,995**	

The BBVA share was traded on each of the 255 days in the 2014 stock market year. A total of 12,434 million shares were traded on the continuous market in this period, representing 201% of the share capital. Thus, the average daily volume of traded shares has been 49 million, 0.8% of the total number of shares making up the share capital, with a daily average of €437 million.

Lastly, the BBVA share is listed on the key Ibex 35 and Euro Stoxx 50 indices, with a 10.11% weighting in the former and 2.44% in the latter, as well as on several banking industry indices, most notably the Stoxx Banks, with a weighting of 4.93%, and the Euro Stoxx Banks, with a weighting of 10.11%. The BBVA share is also listed on the main sustainability or ESG (environmental, social and governance) indices, which evaluate the performance of companies in this area. Its continued presence and score on these sustainability indices depends on demonstrating constant progress in the area of sustainability. In 2014, BBVA has renewed its place on the main sustainability indices at an international level, such as the Dow Jones Sustainability Index, the MSCI ESG, the

FTSE4Good, the Euronext and the STOXX. In addition, this year, BBVA has been incorporated into the investor universe of Triodos Investment Management, the Triodos Group subsidiary that manages socially responsible mutual funds. It is the only Spanish Bank on this list.

Information about the shareholder remuneration scheme can be found in Note 4 of the accompanying consolidated Financial Statements.

11. Ratings

The main rating changes throughout 2014, on a chronological basis, have been the following:

- On February 11, 2014, Moody's upgraded its long-term rating outlook of BBVA from negative to stable. Shortly after, on March 4, it announced a rating upgrade of one notch for BBVA to Baa2, changing the outlook to positive, and upgraded the short-term rating from Prime -3 to Prime -2. This upgrade by Moody's, the first in more than seven years, was a result of the strength of BBVA's fundamentals, as well as an improvement in the Kingdom of Spain's sovereign rating.

- On April 2, 2014, Scope Ratings, whose rating decisions are based on the intrinsic value of the entities more than the potential sovereign basis, published for the first time BBVA rating, placing the Group in A with a stable outlook.

- On May 29, 2014, Fitch announced the upgrading of BBVA's rating by one notch to A-, maintaining a stable outlook. This decision was due to the upgrading of Spain's rating on April 25 to BBB+ and to the Group's geographical diversification, which places BBVA one notch above the sovereign rating.

- On June 4, 2014, Standard & Poors (S&P) upgraded BBVA's rating from BBB- to BBB, also maintaining a stable outlook, as a result of the upgrading of Spain's rating on May 23 to BBB. It also upgraded the short-term rating from A-3 to A-2.

In short, in 2014, Moody's, Fitch and S&P have upgraded BBVA's rating for the first time since the start of the crisis. In addition, during this period, DBRS has confirmed BBVA's rating at A with a negative outlook, while Scope Ratings (whose decisions are based on the intrinsic value of the institutions, rather than on the potential sovereign support) has published BBVA's rating for the first time, at A with a stable outlook.

The major rating agencies have confirmed BBVA's ratings following the announcement of the Group's acquisition of Catalunya Banc as well as the announcement of the acquisition of an additional 14.89% of Garanti in November, 2014.

BBVA' s long and short term ratings, as well as rating prospects measured by the 5 rating agencies are depicted below:

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

12. Offshore financial centers

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

As a result of the measures derived from this plan, a total of 46 permanent establishments have been closed between its start date in 2007 and December 31, 2014. Another two entities should be added to this figure, which ceased all business activity as a preliminary step to this process. The latter have securities issues among their liabilities, and the time of the repurchase and/or redemption of these assets will depend on the time of the companies' effective liquidation.

It should be noted that starting in April 2009 the OECD introduced changes in its classification of tax havens. As a result, the Dutch Antilles were dropped from the OECD list in September 2009. As of January 2010, said jurisdiction is no longer considered a tax haven under Spanish law.

As of December 31, 2014, the BBVA Group's permanent establishments registered in offshore financial centers considered tax havens are as follows:

- Branches of the BBVA Group's banks in the Cayman Islands.
- Issuers of securities in the Cayman Islands: BBVA International, Ltd., BBVA Global Finance, Ltd. and Continental DPR Finance Company.

12.1. Branches of the BBVA Group's banks in the Cayman Islands

As of December 31, 2014, the BBVA Group had two banking branches registered in the Cayman Islands engaging in Corporate Banking activities. The activities and business of these branches (which do not include the provision of private banking services) are pursued under the strictest compliance with applicable law, both in the jurisdictions in which they are domiciled and in those where their operations are effectively managed (USA).

The main figures of the balance sheets of these branches as of December 31, 2014 and 2013 are as follows:

BBVA Group Branches at Off-Shore Entities (Grand Cayman)	Millions of Euros			
	BBVA Branch (Spain)		BBVA Compass Bank (USA) Branch	
	2014	2013	2014	2013
Loans and advances	1,154	1,287	-	-
Deposits	867	1,060	150	91

12.2. Issuers of securities

As of December 31, 2014, only three issuers registered in Grand Cayman remain, and the processes for the repurchase and/or redemption of the securities issued will depend on the time of their liquidation.

The accompanying table presents a comparative list of the issues outstanding as of December 31, 2014 and 2013:

Issuing Entity	Country	Millions of Euros					
		Preferred Securities(1)		Subordinated Debts(1)		Other Debt Securities	
		2014	2013	2014	2013	2014	2013
BBVA International LTD	Cayman Islands	9	9	-	-	-	-
BBVA Global Finance LTD	Cayman Islands	-	-	390	371	-	-
Continental DPR Finance Company(2)	Cayman Islands	-	-	-	-	292	338
TOTAL		**9**	**9**	**390**	**371**	**292**	**338**

(1) Securities issued before the enactment of Act 19/2003 dated 4 July 2003

(2) Securitization bond issues on flows generated from export bills

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

The BBVA Group applies risk management criteria and policies to all its permanent establishments in offshore financial centers that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of the BBVA Group's permanent establishments in offshore financial centers, BBVA's Internal Audit department checks the following: that their activities match the definition of their corporate purpose, that they comply with corporate policies and procedures in matters relating to knowledge of the customers and prevention of money laundering, that the information submitted to the parent company is true, and that they comply with tax obligations. In addition, every year a special review is performed of Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centers.

Furthermore, in 2014 BBVA's Compliance Department supervised the action plans deriving from the Audit Reports on each one of the establishments. On an annual basis, conclusions deriving from these are submitted for consideration to the Audit Committee, which in turn submits the corresponding report to the BBVA Board of Directors.

As far as external audits are concerned, one of the functions of the Audit Committee is to select an external auditor for the Consolidated Group and for all the companies in it. The selection criterion is to designate the same auditing firm for all the BBVA Group's permanent establishments in offshore financial centers, unless the Committee determines this is not possible or advisable. For 2014, all of the BBVA Group's permanent establishments registered in offshore financial centers have the same external auditor (Deloitte).

13. Customer Care Service and Customer Ombudsman

In accordance with the stipulations of Article 17 of the Ministry of Economy Order ECO/734/2004, dated March 11, regarding customer care and consumer ombudsman departments at financial institutions, and in line with the new "Regulations for Customer Protection in Spain" of the BBVA Group approved by the BBVA Board of Directors on September 27, 2011, regulating the activities and powers of the Customer Care Service and Customer Ombudsman, a summary of related activities in 2014 is included below.

The Customer Care Service processes all the grievances and complaints addressed to the Customer Ombudsman and to the Customer Care Service itself, except for those which under the new Regulations are the responsibility of the Customer Ombudsman.

13.1. Report on the activity of the Customer Care Service department in Spain

Statistical summary of the grievances and complaints handled in 2014

The number of customer complaints received by the BBVA Group's Customer Care Service in Spain in 2014 is 11,549 (19,010 in 2013), of which 1,164 have finally not been processed because they did not meet the requirements of Ministerial Order ECO/734. A total of 91.9% of the complaints, 9,546 cases (17,091 in 2013), have been resolved within the year, and 839 complaints (818 as of December 31, 2013) had not yet been analyzed as of December 31, 2014.

The grievances and complaints handled are classified:

Final Resolution for Complaints to the Custumer Service Center	Number of Complaints 2014	2013
In favor of the person submitting the complaint	3,628	7,250
Partially in favor of the person submitting the complaint	1,529	3,659
In favor of the BBVA Group	4,389	6,182
Total	**9,546**	**17,091**

The principles and criteria used by the CCS to resolve complaints are based on the application of the rules on transparency and customer protection and best banking practices. This department takes its decisions independently, notifying the various units involved of any actions which require review or adaptation to regulations.

Recommendations or suggestions

In 2014, the Customer Care Service has implemented various initiatives in order to ensure compliance with best practices. These initiatives include:

- Reorganization of the Quality Governance existing in BBVA, in order to identify root causes and recurrent systemic or potential problems, drawn from customer dissatisfaction and avoiding repetition in time, There is a new tool that allows manage claims efficiently, knowing at any moment what stage are those claims and the average resolution time, outstanding and solved claims, etc. This will improve the Quality management itself, detecting what stage of the process causing delays in customer response and proposing action plans that will allow to reduce these resolution deadlines.
- Also, 2014 was the year of the claims management model consolidation that began the previous year, where the Unit has organized with a closer and personal approximation to the customer with specialized teams for each sort of customer and complexity. For example, a Premium customer, with more experience and sophisticated products, requires a particular specialization in customer relationship and motivation in its resolutions different than standard client or a company or an SME.
- Training programs on specific aspects of the Bank of Spain's criteria (auxiliary accounts, documentation to provide to the customer for loans, etc.) that would promote proper decision-making in the resolution of complaints lodged by customers, in each of the different topics.
- Publication of guidelines and criteria on the Quality Portal for dissemination to the branch network.

13.2. Report on the activity of the BBVA Group Customer Ombudsman in Spain

The following is a summary of the 2014 annual report outlining the activities of the BBVA Group's Customer Ombudsman in Spain, in accordance with the provisions of Article 17 of Ministry of Economy Order ECO/734/2004, dated March 11, on customer service departments and services, and Customer Ombudsmen for financial institutions:

Statistical summary of the grievances and complaints handled in 2014

889 customer complaints were received by BBVA's Customer Ombudsman in 2014. Of these, 54 have finally not been processed as they did not fulfill the requirements of Ministerial Order ECO/734. A total of 90.33% of the complaints, have been resolved within the year, and 32 complaints had not yet been analyzed as of December 31, 2014.

The grievances and complaints handled are classified in the table below in line with the criteria established by the Complaints Service of the Bank of Spain in its half-yearly requests for information:

	Number of Complaints	
Type of Complaint to the Ombudsman	**2014**	**2013**
Insurance and welfare products	303	364
Assets operations	257	1,192
Investment services	73	117
Liabilities operations	106	97
Other banking products (cash, ATM, etc.)	34	29
Collection and payment services	14	33
Other	102	160
Total	**889**	**1,992**

The details of the complaints resolved in 2014 and 2013, broken down according to their final resolution, are as follows:

Final Resolution for Complaints to the Ombudsman	Number of Complaints	
	2014	2013
In favor of the person submitting the complaint	-	1
Partially in favor of the person submitting the complaint	352	794
In favor of the BBVA Group	451	1,043
Total	**803**	**1,838**

Based on the above, it can be concluded that 44% of customers bringing a complaint before the Customer Ombudsman are in some way satisfied, either as a consequence of the final resolution of the Ombudsman or because of its role as a mediator between the customer and the entities composing the BBVA Group.

The Customer Ombudsman's decisions are based on current legislation, on the contractual relationships in place between the parties, on current standards on transparency and customer protection, on best banking practices and, especially, on the principle of equity.

Independence is an essential aspect of the Customer Ombudsman. The decisions handed down by the Ombudsman in favor of the customer are binding on the affected Group entity.

Recommendations or suggestions

Among the various initiatives implemented by the Group at the behest of the Customer Ombudsman in 2014, the following are worth noting:

- Recommendations have been made on adapting the product profile to the customer profile, with special emphasis on the need for greater provision of accurate information on the products offered to customers by presenting them with all necessary data and documentation to that end.

- The main purpose is to promote compliance with regulations on transparency and customer protection, providing criteria and possible actions for improvement, and paying special attention to its mediation between the customers and the Entities in order to reach an amicable agreement, within the limits set by regulations.

- In partnership with Quality, Legal Services in Spain and Portugal, and the Customer Care Service, a Complaints Committee has been set up, which meets on a monthly basis with the participation of various of the Group's Units and Areas in Spain to discuss and share problems, ideas or suggestions related to the grievances and complaints lodged by the customers, in order to improve the Group's complaints system and thus contribute to providing better and more satisfactory care to the customers.

- Group representatives are in constant contact and meet regularly with the Complaints Service of the Bank of Spain, the CNMV and the Spanish General Directorate of Insurance and Pension Funds, with the common goal of harmonizing criteria and fostering more robust customer protection and security.

Customers not satisfied with the resolution of the Customer Ombudsman can appeal before the Bank of Spain, the CNMV or the Spanish General Directorate of Insurance and Pension Funds. The Ombudsman always informs the customers of this option.

In 2014, the number of complaints examined or resolved by the Customer Ombudsman and subsequently presented by the customer before the supervisory bodies is 115.

14. Another relevant information

14.1. Exceptional factors

The year 2014 saw the exceptional factors described in the accompanying consolidated notes and in section 2.1 of this Management Report: Economic Environment in 2014, which have shaped the performance of the global financial system and, by extension, of the BBVA Group.

14.2. Significant contracts

The Group is not aware of the signing of any material contracts other than those executed during the BBVA Group's ordinary course of business during the two years immediately prior to December 31, 2014, except for those mentioned in the accompanying consolidated Financial Statements.

Nor is the Group aware that the Bank or any of the Group's subsidiaries have entered into contracts that could give rise to material liabilities for the Group.

14.3. Patents, licenses or similar

At the time of preparing the accompanying consolidated Financial Statements, the BBVA Group is not materially dependent on the issuance of patents, licenses and industrial, mercantile or financial contracts or on new manufacturing processes in carrying out its business purpose.

15. Subsequent events

After the year ended December 31, 2014, it is expected that on February 3, 2015, under the powers delegated by the Company's AGM held on March 16, 2012, under point five of its agenda, the Board of Directors meeting submits for approval an agreement for the issue of debentures convertible into ordinary BBVA shares, excluding the pre-emptive subscription right.

In case such agreement is approved, and for the purposes set out in articles 414, 417 and 511 of the Spanish Corporations Act, the mandatory Directors report explaining the conversion conditions and types will be issued, justifying the proposal for the abolition of the pre-emptive subscription right, to be accompanied, as appropriate, by another report drafted by an auditor other than the company's auditor, appointed for this purpose by the Companies Register.

From January 1, 2015 to the date of preparation of these Financial Statements, no other subsequent events not mentioned above in this Financial Statements have taken place that significantly affect the bank's earnings or its equity position.

16. Annual corporate governance report

In accordance with the provisions of Article 540 of the Spanish Corporate Act, the BBVA Group prepared the Annual Corporate Governance Report for 2014 (which is an integral part of the Management Report for that year) following the content guidelines set down in Order ECC/461/2013, dated March 20, and in CNMV Circular 5/2013, dated June 12, including a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain. In addition, all the information required by Article 539 of the Spanish Corporations Act can be accessed on BBVA's website www.bbva.com

ANNUAL CORPORATE GOVERNANCE REPORT ON THE PUBLICLY TRADED COMPANIES

ISSUER IDENTIFICATION

YEAR ENDING 31/12/2014

TAX ID No.:
A-48265169

Registered name: BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Registered Address: Plaza de San Nicolás 4, 48005 Bilbao (Vizcaya)

ANNUAL CORPORATE GOVERNANCE REPORT
ON THE PUBLICLY TRADED COMPANIES

A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
20/11/2014	3.023.956.107,55	6.171.338.995	6.171.338.995

Indicate if there are different classes of shares with different rights associated with them:

NO

Class	Number of shares	Nominal unit value	Number of voting rights per unit	Different rights

A.2 Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name of shareholder (person or company)	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of stake	Number of voting rights	

Indicate the most significant movements in the shareholding structure during the year:

Name of shareholder (person or company)	Date of transaction	Description of the transaction

A.3 Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

Name of Director (person or company)	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of stake	Number of voting rights	
FRANCISCO GONZÁLEZ RODRÍGUEZ	1.810.747		1.562.143	0,06%
ÁNGEL CANO FERNÁNDEZ	794.486			0,01%

TOMÁS ALFARO DRAKE	15.748			0,00%
RAMÓN BUSTAMANTE Y DE LA MORA	14.055		2.769	0,00%
JOSÉ ANTONIO FERNÁNDEZ RIVERO	69.326			0,00%
IGNACIO FERRERO JORDI	4.439		83.301	0,00%
BELÉN GARIJO LÓPEZ	0		0	0,00%
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	6.492			0,00%
CARLOS LORING MARTÍNEZ DE IRUJO	54.284			0,00%
LOURDES MÁIZ CARRO	0		0	0,00%
JOSÉ MALDONADO RAMOS	36.632			0,00%
JOSÉ LUIS PALAO GARCÍA-SUELTO	10.175			0,00%
JUAN PI LLORENS	0		0	0,00%
SUSANA RODRÍGUEZ VIDARTE	24.555		910	0,00%

% total voting rights held by the Board of Directors	**0,08%**

Fill in the following tables with the members of the company's board of directors with voting rights on company shares:

Name of director (person or company)	**Number of direct rights**	**Indirect rights**		**Number of equivalent shares**	**% of total voting rights**
		Direct owner	**Number of voting rights**		
FRANCISCO GONZÁLEZ RODRÍGUEZ	402.821	0	0	0	0,01%
ÁNGEL CANO FERNÁNDEZ	279.092	0	0	0	0,01%
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	25.304	0	0	0	0,00%

A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	**Type of relationship**	**Brief description**

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description

A.6 Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

NO

Participants in shareholders agreement	% of share capital affected	Brief description of agreement

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly.

NO

Participants in concerted action	% of share capital affected	Brief description of concerted action

If there has been any amendment or breaking-off of said pacts or agreements or concerted actions, indicate this expressly:

A.7 Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 4 of the Securities Exchange Act. If so, identify names:

NO

Name (person or company)

Comments

A.8 Fill in the following tables regarding the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
5.012.897	36.508.801	0,67%

(*) Through:

Name of direct owner of shareholding (person or company)	Number of direct shares

CORPORACIÓN GENERAL FINANCIERA, S.A.	36.480.861
BBVA SEGUROS S.A., DE SEGUROS Y REASEGUROS	27.940
Total:	36.508.801

List significant changes occurring during the year, pursuant to Royal Decree 1362/2007:

Date reported	Total direct shares acquired	Total indirect shares acquired	Total % of share capital
27/02/2014	7.058.442	449.586	0,13
03/04/2014	1.623.049	8.561.825	0,18
16/07/2014	122.050	4.533.526	0,08
10/09/2014	445.434	8.077.743	0,15
28/10/2014	6.441.572	12.544.164	0,32
26/12/2014	3.209.916	34.490.311	0,61

A.9 Describe the conditions and term of the prevailing mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury stock.

- The Annual General Meeting of Shareholders of Banco Bilbao Vizcaya Argentaria, S.A. held on 16th March 2012, under item three of the agenda, passed a resolution to delegate to the Board of Directors the power to increase the Bank's share capital, pursuant to article 297.1.b) of the Corporate Enterprises Act, during the legally established period of five years as of the date on which this General Meeting was held, up to a maximum amount corresponding to 50% of the Company's share capital on the date of such authorisation, on one or several occasions, to the amount that the Board resolves, by issuing new ordinary or privileged shares, with or without voting rights, including redeemable shares, or shares of any other kind permitted by law, with or without an issue premium, the countervalue of said shares comprising cash considerations. The authority includes the establishment of the terms and conditions of the capital increase, the determination of the nominal value of the shares to be issued, their characteristics and any privileges they may confer, the attribution of the right of redemption and the conditions of redemption, and the exercise of that right by the Company. Empowering the Board of Directors to exclude pre-emptive subscription rights on the share issues made under this authority, pursuant to article 506 of the Corporate Enterprises Act. This power was limited to the capital issues made under this resolution up to the maximum amount equivalent to 20% of the Company's share capital on the date of such authorisation.

- The Annual General Meeting of Shareholders of Banco Bilbao Vizcaya Argentaria, S.A. held on 14th March 2014, under item three of the agenda, passed a resolution authorising the Company, directly or via any of its subsidiaries, for a maximum term of five years as of the date on which this resolution was approved, for the derivative acquisition of Banco Bilbao Vizcaya Argentaria, S.A. shares at any time and on as many occasions as it deems appropriate, by any means permitted by law, including charging the acquisition to the year's profits and/or unrestricted reserves, pursuant to article 146 and concordant in the Corporate Enterprises Act, and to subsequently dispose of the shares acquired, indicating that the derivative acquisition of shares would be done at all times in compliance with the conditions set out in applicable legislation and, in particular, the conditions expressly indicated in the resolution itself, which can be summarised as follows: (i) that at no time will the nominal value of the treasury stock acquired, directly or indirectly, under this authorisation, when added to the treasury stock already held by the Company and its subsidiaries, exceed ten per cent (10%) of the subscribed share capital of Banco Bilbao Vizcaya Argentaria, S.A. or, where applicable, the maximum amount permitted by applicable legislation; (ii) that the acquisition shall not result in the equity being less than the share capital plus the legal reserves and/or the reserves that are restricted by the Company bylaws; (iii) that a restricted reserve, equivalent to the sum of treasury stock of the Company recorded to Assets, may be established against the net equity; (iv) that the shares acquired must be fully paid up, unless the acquisition is without consideration, and must not entail any obligation to provide ancillary benefits; and (v) that the acquisition price per share will not be below the nominal value of the share or more than 20% above the listed price or any other price associated with the shares on the acquisition date.

- The Annual General Meeting of Shareholders of Banco Bilbao Vizcaya Argentaria, S.A. held on 14th March 2014 resolved, under item four, section 4.4 of the agenda, to perform a share capital increase to be charged to voluntary reserves through the issue of new shares each with a nominal value of €0.49, without issue premium, which as of 31st December 2014 had not been executed. This resolution of the General Meeting will be valid until 13th March 2015.

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market.

NO

A.11 Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

YES

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

All the shares in BBVA's capital bear the same voting and economic rights. There are no distinct voting rights for any shareholder. There are no shares that do not represent capital.

BBVA shares are traded on the SIBE electronic trading platform of the Spanish securities exchanges and on the London and Mexico markets. BBVA American Depositary Shares (ADS) are traded on the New York Stock Exchange and also traded on the Lima exchange (Peru) under an exchange agreement between both markets.

Additionally, as of 31st December 2014, the shares of BBVA Banco Continental, S.A., Banco Provincial S.A., BBVA Colombia, S.A., BBVA Chile, S.A. and BBVA Banco Francés, S.A. were traded on their respective local securities markets. BBVA Banco Francés, S.A. is also listed on the New York Stock Exchange and is also traded on the Latibex market of the Madrid securities exchange (Bolsa de Madrid).

B GENERAL MEETING

B.1 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum and constitution of the General Meeting.

YES

	% quorum different from quorum in art. 193 of CEA for general circumstances	% quorum different from quorum in art. 194 of CEA for special circumstances in art. 194 of CEA

Quorum required on first summons	0,00%	66,66%
Quorum required on second summons	0,00%	60,00%

Description of differences
Article 194 of the Corporate Enterprises Act establishes that in order for a General Meeting (whether annual or extraordinary) to validly resolve to increase or reduce the company share capital or any other amendment to the Company Bylaws, bond issuance, the cancellation or restriction of pre-emptive rights to acquire new shares, or the conversion, merger or spin-off of the company or global assignment of assets and liabilities or the transfer of the registered office abroad, the shareholders present and represented on first summons must own at least fifty percent of the subscribed capital with voting rights. On second summons, twenty-five percent of the share capital will be sufficient. The above notwithstanding, article 25 of the BBVA Company Bylaws establishes that a reinforced quorum of two-thirds of the subscribed voting capital must attend the General Meeting at first summons or 60% of that capital at second summons, in order to adopt resolutions on replacing the corporate purpose, the transformation, total spin off, winding up of the Company and amending that article of Bylaws establishing this reinforced quorum.

B.2 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

NO

Describe any differences from the minimum standards established under the CEA.

B.3 Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Meeting is empowered to amend the Company Bylaws and to confirm and/or rectify the Board of Directors' interpretation of them.

To such end, the rules established under articles 285 et seq. of the Corporate Enterprises Act shall apply.

The above paragraph notwithstanding, article 25 of the Company Bylaws establishes that in order to adopt resolutions regarding any change to the corporate purpose, transformation, total spin-off or winding up the Company and amendment of the second paragraph of said article 25, two-thirds of the subscribed voting capital must attend the General Meeting at first summons, or 60% of that capital at second summons.

As regards the procedure for amending the Company Bylaws, article 4.2 c) of Act 10/2014, dated 26th June, on the regulation, supervision and solvency of credit institutions, establishes that the Bank of Spain shall be responsible for authorising the amendments to the bylaws of credit institutions as set out by law.

B.4 Indicate the data on attendance at general meetings held during the year to which this report refers and the previous year:

	Attendance figures

General Meeting date	% shareholders present	% attending by proxy	% voting remotely		Total
			Electronic vote	Other	
15/03/2013	8,76%	23,51%	0,10%	34,16%	66,53%
14/03/2014	4,05%	38,36%	0,05%	20,72%	63,18%

B.5 Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

YES

Number of shares necessary to attend the General Meeting	500

B.6 Indicate whether it has been resolved that certain resolutions entailing a structural alteration of the company (subsidiarization, trading of core operational assets, transactions equivalent to the liquidation of the company, etc.) must be submitted for approval by the General Meeting, even if not expressly required by mercantile law.

NO

B.7 Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

The contents on corporate governance and other information on the latest general meetings are directly accessible through the Banco Bilbao Vizcaya Argentaria corporate website, www.bbva.com, in the Shareholders and Investors, Corporate Governance section, www.bbva.com/Shareholders and Investors/Corporate Governance.

C CORPORATE GOVERNANCE STRUCTURE

C.1 **Board of Directors**

C.1.1 Maximum and minimum number of directors established in the bylaws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Fill in the following table on the Board members:

Name of director (person or company)	Representative	Position on the Board	Date first appointed	Date last appointed	Election procedure
FRANCISCO GONZÁLEZ RODRÍGUEZ	-	PRESIDENTE	28/01/2000	15/03/2013	GENERAL MEETING RESOLUTION

ÁNGEL CANO FERNÁNDEZ	-	CONSEJERO DELEGADO	29/09/2009	15/03/2013	GENERAL MEETING RESOLUTION
BELÉN GARIJO LÓPEZ	-	DIRECTOR	16/03/2012	16/03/2012	GENERAL MEETING RESOLUTION
CARLOS LORING MARTÍNEZ DE IRUJO	-	DIRECTOR	28/02/2004	14/03/2014	GENERAL MEETING RESOLUTION
IGNACIO FERRERO JORDI	-	DIRECTOR	28/01/2000	15/03/2013	GENERAL MEETING RESOLUTION
JOSÉ ANTONIO FERNÁNDEZ RIVERO	-	DIRECTOR	28/02/2004	16/03/2012	GENERAL MEETING RESOLUTION
JOSÉ LUIS PALAO GARCÍA-SUELTO	-	DIRECTOR	01/02/2011	14/03/2014	GENERAL MEETING RESOLUTION
JOSÉ MALDONADO RAMOS	-	DIRECTOR	28/01/2000	16/03/2012	GENERAL MEETING RESOLUTION
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	-	DIRECTOR	03/06/2013	14/03/2014	GENERAL MEETING RESOLUTION
JUAN PI LLORENS	-	DIRECTOR	27/07/2011	16/03/2012	GENERAL MEETING RESOLUTION
RAMÓN BUSTAMANTE Y DE LA MORA	-	DIRECTOR	28/01/2000	15/03/2013	GENERAL MEETING RESOLUTION
SUSANA RODRÍGUEZ VIDARTE	-	DIRECTOR	28/05/2002	14/03/2014	GENERAL MEETING RESOLUTION
TOMÁS	-	DIRECTOR	18/03/2006	14/03/2014	GENERAL

ALFARO DRAKE					MEETING RESOLUTION
LOURDES MÁIZ CARRO	-	DIRECTOR	14/03/2014	14/03/2014	GENERAL MEETING RESOLUTION

Total number of directors	14

Indicate the severances that have occurred on the Board of Directors during the reporting period:

Name of director (person or company)	Condition of director at time of severance	Date of leaving
JUAN CARLOS ÁLVAREZ MEZQUÍRIZ	INDEPENDENT	14/03/2014

C.1.3 Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Name of director (person or company)	Committee reporting their appointment	Position within company organisation
FRANCISCO GONZÁLEZ RODRÍGUEZ	APPOINTMENTS COMMITTEE	PRESIDENTE
ÁNGEL CANO FERNÁNDEZ	APPOINTMENTS COMMITTEE	CONSEJERO DELEGADO
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	APPOINTMENTS COMMITTEE	DIRECTOR OF GLOBAL ECONOMICS, REGULATION & PUBLIC AFFAIRS

Total number of executive directors	**3**
% of total Board	**21,43%**

EXTERNAL PROPRIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)	PROFILE
BELÉN GARIJO LÓPEZ	PRESIDENT AND CEO OF MERCK SERONO, MEMBER OF THE EXECUTIVE BOARD. CEO OF MERCK HEALTH CARE AND CHAIR OF THE PHARMA INTERNATIONAL EXECUTIVE COMMITTEE, ISEC

	(PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA). OTHER RELEVANT POSITIONS: WAS PRESIDENT OF COMMERCIAL OPERATIONS FOR EUROPE AND CANADA AT SANOFI AVENTIS. GRADUATED IN MEDICINE FROM UNIVERSIDAD DE ALCALÁ DE HENARES, MADRID. SPECIALIST IN CLINICAL PHARMACOLOGY HOSPITAL LA PAZ - UNIVERSIDAD AUTÓNOMA DE MADRID.
CARLOS LORING MARTÍNEZ DE IRUJO	CHAIR OF THE BOARD'S REMUNERATION COMMITTEE. LAWYER SPECIALISING IN CORPORATE GOVERNANCE. OTHER RELEVANT POSITIONS: WAS PARTNER AND MEMBER OF THE MANAGEMENT COMMITTEE AT GARRIGUES LAW FIRM. GRADUATED IN LAW FROM THE COMPLUTENSE UNIVERSITY OF MADRID.
JOSÉ ANTONIO FERNÁNDEZ RIVERO	CHAIR OF THE BOARD RISK COMMITTEE AND LEAD DIRECTOR. OTHER RELEVANT POSITIONS: GENERAL MANAGER OF THE BBVA GROUP UNTIL JANUARY 2003. HAS REPRESENTED BBVA AS A MEMBER OF THE BOARDS OF: TELEFÓNICA, IBERDROLA, BANCO DE CRÉDITO LOCAL AND CHAIRMAN OF ADQUIRA. GRADUATED IN ECONOMICS FROM UNIVERSIDAD DE SANTIAGO DE COMPOSTELA.
JOSÉ LUIS PALAO GARCÍA-SUELTO	CHAIR OF THE BOARD'S AUDIT & COMPLIANCE COMMITTEE. HE HAS BEEN SENIOR PARTNER OF THE FINANCIAL DIVISION AT ARTHUR ANDERSEN SPAIN. OTHER RELEVANT POSITIONS: WAS HEAD OF AUDIT & INSPECTION SERVICES AT THE INSTITUTO DE CRÉDITO OFICIAL (OFFICIAL CREDIT INSTITUTE) AND HAS ALSO BEEN A FREELANCE CONSULTANT. GRADUATED IN AGRICULTURAL ENGINEERING FROM THE MADRID SCHOOL OF AGRICULTURAL ENGINEERS AND BUSINESS STUDIES FROM THE COMPLUTENSE UNIVERSITY OF MADRID.
JUAN PI LLORENS	HAD A PROFESSIONAL CAREER AT IBM HOLDING VARIOUS SENIOR POSITIONS AT A NATIONAL AND INTERNATIONAL LEVEL INCLUDING VICE PRESIDENT FOR IBM EUROPE SALES, VICE PRESIDENT, TECHNOLOGY & SYSTEMS AT IBM EUROPE AND VICE PRESIDENT, FINANCIAL SERVICES SECTOR, GMU (GROWTH MARKETS UNITS) IN CHINA. HE WAS EXECUTIVE PRESIDENT OF IBM SPAIN. READ INDUSTRIAL ENGINEERING AT UNIVERSIDAD POLITECNICA DE BARCELONA AND TOOK A GENERAL MANAGEMENT PROGRAMME AT IESE.
LOURDES MÁIZ CARRO	SECRETARY OF THE BOARD OF DIRECTORS AND DIRECTOR OF THE LEGAL SERVICES AT IBERIA, LÍNEAS AÉREAS DE ESPAÑA. FROM 1992 TO 1993 JOINED THE SPANISH STATE COUNSEL CORPS (CUERPO DE ABOGADOS DEL ESTADO ESPAÑOL) AND WAS APPOINTED DEPUTY TO THE DIRECTOR AT THE MINISTRY OF PUBLIC ADMINISTRATIONS. FROM 1993 TO 2001 HELD VARIOUS POSITIONS IN THE PUBLIC ADMINISTRATION. GRADUATED IN LAW AND PHILOSOPHY AND EDUCATION SCIENCES FROM THE COMPLUTENSE UNIVERSITY OF MADRID.
TOMÁS ALFARO DRAKE	CHAIR OF THE BOARD'S APPOINTMENTS COMMITTEE. DIRECTOR OF INTERNAL DEVELOPMENT AND TEACHER IN THE FINANCE AREA AT UNIVERSIDAD FRANCISCO DE VITORIA. OTHER RELEVANT POSITIONS: WAS DIRECTOR OF THE FOLLOWING BACHELOR'S DEGREES AT UNIVERSIDAD FRANCISCO DE VITORIA: BUSINESS MANAGEMENT AND ADMINISTRATION; BUSINESS SCIENCES; MARKETING;. GRADUATED IN ENGINEERING AT ICAI.

Total number of independent directors	7
% of total directors	50,00%

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

Name of director (person or company)	Description of relationship	Reasons

OTHER EXTERNAL DIRECTORS

Name of director (person or company)	Committee reporting or proposing appointment
JOSÉ MALDONADO RAMOS	APPOINTMENTS COMMITTEE
RAMÓN BUSTAMANTE Y DE LA MORA	APPOINTMENTS COMMITTEE
IGNACIO FERRERO JORDI	APPOINTMENTS COMMITTEE
SUSANA RODRÍGUEZ VIDARTE	APPOINTMENTS COMMITTEE

Total number of other external directors	4
% of total directors	28,57%

Detail the reasons why they cannot be considered proprietary or independent directors and their affiliations with the company or its management or its shareholders:

Name (person or company) of the director	Reasons	Company, executive or shareholder to which related
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.

RAMÓN BUSTAMANTE Y DE LA MORA	Ramón Bustamante y de la Mora has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.
IGNACIO FERRERO JORDI	Ignacio Ferrero Jordi has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.
SUSANA RODRÍGUEZ VIDARTE	Susana Rodríguez Vidarte has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.

Indicate any changes that may have occurred during the period in the type of directorship of each director:

Name of director (person or company)	Date of change	Previous status	Current status
RAMÓN BUSTAMANTE Y DE LA MORA	17/12/2014	INDEPENDENT	EXTERNAL
IGNACIO FERRERO JORDI	17/12/2014	INDEPENDENT	EXTERNAL
SUSANA RODRÍGUEZ VIDARTE	17/12/2014	INDEPENDENT	EXTERNAL

C.1.4 Fill in the following table with information regarding the number of female directors over the last 4 years, and the nature of their directorships:

	Number of female directors				% of total female directors of each type			
	Year 2014	Year 2013	Year 2012	Year 2011	Year 2014	Year 2013	Year 2012	Year 2011
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	2	2	2	1	28,57%	20%	18,18%	10%
Other external	1	0	0	0	25%	0,00%	0,00%	0,00%
Total:	3	2	2	1	21,43%	14,29%	14,29%	7,69%

C.1.5 Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures
Article 3 of the Board of Directors Regulations establishes that the proposals submitted to the General Meeting for appointment or reelection of directors and the appointments the Board makes directly to cover vacancies, exercising its powers of co-option, will be approved at the proposal of the Appointments Committee in the case of independent directors, and following a report from said Committee for all other directors. In any case, the proposal must be accompanied by a report of the Board explaining the grounds on which the Board of Directors

has assessed the competence, experience and merits of the candidate proposed, which will be attached to the minutes of the General Meeting or of the Board of Directors. When there is a proposal to re-elect directors, the Board of Directors' resolutions and deliberations on these matters will take place in the absence of the directors whose re-election is proposed who, if present, must leave the meeting.The Appointments Committee's mission is to assist the Board of Directors in matters concerning the selection and appointment of directors and, in particular, to submit to the Board of Directors the proposals for the appointment, re-election or removal of independent directors and to report on the proposals for the appointment, re-election or removal of all other directors.

To such end, article 33 of the Board of Directors Regulations establish that the Committee will evaluate the balance of skills, knowledge and expertise on the Board of Directors, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time. The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may entail any discrimination and in particular discrimination that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included on the shortlists.In the latest selection processes, the Appointments Committee has ensured that there are no implicit biases that may hinder the access of women to the vacancies. It evaluated the skills, knowledge and expertise of all the candidates according to the needs of the governing bodies at any given time, assessing the dedication necessary to be able to suitably perform their duties in the light of the principles contained in the BBVA Board of Directors Regulations. For these selection processes, the Committee has received support from one of the most prestigious consultancy firms on the international market in the selection of directors.

During these processes, the external expert was expressly requested to include women with the suitable profile among the candidates to be presented and the Committee analysed the personal and professional profiles of all the candidates presented on the basis of the information provided by the consultancy firm, according to the needs of the Bank's governing bodies at any given time. The skills, knowledge and expertise necessary to be a Bank director were assessed and the rules on incompatibilities and conflicts of interest as well as the dedication deemed necessary to be able to comply with the duties were taken into account.

BBVA currently has three female directors on its governing body, one of whom is a member of the Group's Executive Committee. The last appointment was that of Ms. Lourdes Máiz Carro, which was approved by the Annual Ordinary General Meeting held on 14th March 2014.

C.1.6 Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

Explanation of measures
See above section. During the selection processes, the Appointments Committee, pursuant to the Board of Directors Regulations, has ensured that women who meet the sought-after professional profile are included among the potential candidates. In addition it has made sure that the selection procedures do not include implicit biases that might hinder the selection of female directors.

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons

C.1.7 Explain the form of representation on the Board of shareholders with significant holdings.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the behest of a shareholder whose holding is less than 5% of the capital:

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions have been ignored.

NO

C.1.9 Indicate if any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

Name of director	Reason for leaving

C.1.10. Indicate any powers delegated to the managing directors(s):

Name of director (person or company)	Brief description
FRANCISCO GONZÁLEZ RODRÍGUEZ	Holds broad-ranging powers of representation and administration in line with his duties as Company Presidente
ÁNGEL CANO FERNÁNDEZ	Holds broad-ranging powers of representation and administration in line with his duties as Company Consejero Delegado.
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	Holds powers of representation and administration in line with his duties as Head of Global Economics, Regulation & Public Affairs.

C.1.11 Identify any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group:

Name of director (person or company)	Name of the Group Company	Position
FRANCISCO GONZÁLEZ RODRÍGUEZ	BBVA BANCOMER, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER	DIRECTOR
FRANCISCO GONZÁLEZ RODRÍGUEZ	GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	DIRECTOR

ÁNGEL CANO FERNÁNDEZ	BBVA BANCOMER, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER	DIRECTOR
ÁNGEL CANO FERNÁNDEZ	GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	DIRECTOR
ÁNGEL CANO FERNÁNDEZ	TURKIYE GARANTI BANKASI A.S.	DIRECTOR

C.1.12 Detail, where applicable, any company directors that sit on Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Name of the listed company	Position
BELÉN GARIJO LÓPEZ	L'ORÉAL SOCIÉTÉ ANONYME	DIRECTOR
JUAN PI LLORENS	ECOLUMBER, S.A.	CHAIRMAN

C.1.13 Indicate and, where applicable, explain whether the company has established rules on the number of Boards on which its directors may sit:

YES

Explanation of the rules
Article 11 of the Board of Directors Regulations establishes that in the performance of their duties, directors will be subject to the rules on limitations and incompatibilities established under the applicable regulations at any time, and in particular, to the provisions of Spanish Act 10/2014 on the organisation, supervision and solvency of credit institutions. Article 26 of Act 10/2014 establishes that the directors of credit institutions may not hold at the same time more positions than those set out in one of the following combinations: (i) an executive position together with two non-executive positions; or (ii) four non-executive positions. Executive positions are defined as those performing management duties irrespective of the legal bond attributed by those duties. The following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within: (i) entities belonging to the same institutional protection scheme; or (ii) companies in which the entity holds a significant stake. The positions held in non-profit organisations or entities pursuing non-commercial purposes shall not count when determining the maximum number of positions. Likewise, directors may not provide professional services to enterprises competing with the Bank or any of its Group entities, or be an employee, manager or director of such companies unless they have received express prior authorisation from the Board of Directors or the General Meeting, whichever may be the authorising party, or unless these activities had been provided or performed before they became a Bank director, do not involve effective competition and had been reported to the Bank at that time. Directors may not take a direct or indirect stake in businesses or enterprises in which the Bank or its Group companies hold an interest, unless such stake was held prior to joining the Board of Directors or to the time when the Group took out its holding in such business or enterprise, or unless such companies are listed on domestic or international securities exchanges, or unless authorised to do so by the Board of Directors. Directors of the Bank may not be a director in companies in which the Group or any of the Group companies hold a stake. As an exception and when proposed by the Bank, executive directors are able to hold directorships in companies directly or indirectly controlled by the Bank with the

approval of the Executive Committee, and in other associated companies with the approval of the Board of Directors. A person ceasing to be an executive director is obliged to resign from any office in a subsidiary or associate company that is held by virtue of such directorship. Non-executive directors may hold a directorship in the Bank's associate companies or in any other Group company provided the directorship is not related to the Group's holding in such companies. They must have prior approval from the Bank's Board of Directors. For these purposes, holdings of the Bank or its Group companies resulting from its ordinary business activities, asset management, treasury trading, derivative hedging and/or other transactions will not be taken into account. Likewise, directors may not hold political office or engage in other activities that might have public significance or affect the image of the Company in any manner, unless there is prior authorisation from the Board of Directors of the Bank.

C.1.14 Indicate the general corporate policies and strategies over which the Board has exclusive approval rights:

	YES	NO
The investment and funding policy	X	
Definition of how the Group companies are structured	X	
The corporate governance policy	X	
The corporate social responsibility policy	X	
The strategic or business plan and the annual management and budgetary targets	X	
The senior managers' remuneration and performance assessment policy	X	
The risk control and management policy, and the regular monitoring of the internal information and oversight systems	X	
The dividend policy and the treasury-stock policy, especially their limits	X	

C.1.15 Indicate the overall remuneration for the Board of Directors:

Remuneration of the Board of Directors (€k)	15.407
Amount of overall remuneration corresponding to the rights accumulated by directors with respect to pensions (€k)	0
Overall remuneration of the Board of Directors (€k)	15.407

C.1.16 Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position
EDUARDO ARBIZU LOSTAO	LEGAL SERVICES AND COMPLIANCE
MANUEL SÁNCHEZ RODRÍGUEZ	UNITED STATES
RAMÓN MARÍA MONELL VALLS	I&T TECHNOLOGY
DON CARLOS TORRES VILA	DIGITAL BANKING
CRISTINA DE PARIAS HALCÓN	SPAIN AND PORTUGAL
MANUEL CASTRO ALADRO	GLOBAL RISK MANAGEMENT
IGNACIO DESCHAMPS GONZÁLEZ	GLOBAL LOBs AND SOUTH AMERICA
VICENTE RODERO RODERO	MEXICO
JUAN ASÚA MADARIAGA	CORPORATE AND INVESTMENT BANKING (CIB)
JUAN IGNACIO APOITA GORDO	HUMAN RESOURCES & SERVICES
JAIME SÁENZ DE TEJADA PULIDO	STRATEGY AND FINANCE
RICARDO GÓMEZ BARREDO	GLOBAL ACCOUNTING AND INFORMATION MANAGEMENT
IGNACIO MOLINER ROBREDO	BRAND AND COMMUNICATION

Total senior management remuneration (€k)	18.988

C.1.17 Indicate the identity of the Board members, if any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

C.1.18 Indicate whether there has been any change in the Board regulations during the year:

YES

Description of changes
As a result of the publication of Act 10/2014 on the regulation, supervision and solvency of credit institutions, dated 26th June, and Act 31/2014 which amends the Corporate Enterprises Act insofar as improving corporate governance, of 3rd December, the Board of Directors, at the meeting held on 17th December 2014, approved the amendment of the text of the BBVA Board of Directors Regulations with the aim of adapting them to the new legal requirements. The main changes included in the Board of Directors Regulations as a result of the aforementioned legislation are detailed below:

- The definitions of the different categories of directors (executive, proprietary, independent and other external) have been adapted to the provisions of Act 31/2014 that contains the legal definitions, which has involved the inclusion of the 12-year limitation in the position in the definition of independent director.

- Inclusion of the duty of directors to meet the suitability requirements needed to hold the position (honourableness, knowledge and experience, and willingness to exercise good governance) and the duties of the directors to report to the Appointments Committee any events that may affect the assessment of their suitability and/or status.

- A new article setting out the duties of the *Consejero Delegado* has been included.

- A new article setting out the duties of the Lead Director has been included.

- Due diligence has been added, with the express recognition of the business judgement rule in the area of strategic and business decisions.

- The duty of loyalty of the directors has been adapted to the new regime established in Act 31/2014, which includes the obligation of the directors to avoid situations of conflict of interest.

- The functions of the Board of Directors have been adapted to those set out in the new legislation, which requires a greater involvement of the Board in certain matters, and the following powers, among others, have been defined as Board powers that cannot be delegated:

    - The oversight and periodic control of the corporate governance system;
    - The appointment and severance of the senior managers and the determination of the basic conditions of their contracts, including their remuneration and the supervision of senior management and the bodies to which the Board of Directors confers authority, including the Chief Operating Officer;
    - The approval of a selection and diversity policy of members of the Board of Directors and selection and appointment of senior managers.

- The delegation of proxy and voting rights of non-executive directors is regulated.

- In general, the composition and functions of the Board of Directors Committees have been adapted to the new legislation.

C.1.19. Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

Selection and appointment procedure:
Articles 2 and 3 of the Board of Directors Regulations stipulate that the General Meeting is responsible for the appointment of the members of the Board of Directors. However, if a seat falls vacant, the Board of Directors has the authority to co-opt members.

In any event, persons proposed for appointment as directors must meet the requirements of prevailing legislation, the specific regulations applicable to financial institutions, and the provisions of the Company Bylaws. In particular, directors should meet the necessary suitability requirements to exercise their directorship. Thus, they must be considered to be of commercial and professional good repute, with adequate knowledge and expertise to perform their duties and be in a situation in which they can exercise good governance of the entity. The Board of Directors will endeavour to ensure that the selection procedures for directors favour diversity in experience, knowledge, skills and gender and, in general, do not suffer from implicit biases that may imply any discrimination. The Board will submit its proposals to the General Meeting in such a way that there is an ample majority of non-executive directors over the number of executive directors on the Board and that the number of independent directors accounts for at least one third of the total Board members. The proposals submitted to the General Meeting for appointment or reelection of directors and the appointments the Board makes directly to cover vacancies, exercising its powers of co-option, will be approved at the proposal of the Appointments Committee in the case of independent directors, and following a report from said Committee for all other directors. In any case, the proposal must be accompanied by a report of the Board explaining the grounds on which the Board of Directors has assessed the competence, experience and merits of the candidate proposed, which will be attached to the minutes of the General Meeting or of the Board of Directors.Tthe Board of Directors' resolutions and deliberations on these matters will take place in the absence of the directors whose re-election is proposed who, if present, must leave the meeting.To such end, the Board of Directors Regulations establish that the Committee will evaluate the balance of skills, knowledge and expertise on the Board of Directors, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time. The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may entail any discrimination and in particular discrimination that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included on the shortlists.

Directors will stay in office for the term established by the Company Bylaws or, if they have been co-opted, until the first General Meeting is held.

Re-election:

See above section.

Assessment:

As indicated in article 17 t) of the Board of Directors Regulations, the Board is responsible for assessing the quality and efficiency of the Board's operation and assessment of the performance of the duties of the Chairman of the Board. Such assessment will always begin with the report submitted by the Appointments Committee. Likewise, evaluation of the operation of its Committees, on the basis of the report that these submit to it. Moreover, article 5 of the Board of Directors Regulations establishes that the Chairman, as the person responsible for the efficient running of the Board of Directors, will organise and coordinate the periodic assessment of the Board's performance with the Chairs of the relevant Committees. Moreover, article 5 ter of the Board of Directors Regulations establishes that the Lead Director will have special powers to direct the periodic assessment of the Chairman of the Board of Directors. Pursuant to the provisions of the Board of Directors Regulations, as in previous years, in 2014 the Board of Directors assessed the quality and efficiency of its own running and that of its Committees, as well as the performance of the duties of the Chairman, both as Chairman of the Board and as Chief Executive Officer of the Bank.

Severance:

Directors will stand down from office when the term for which they were appointed has expired, unless they are re-elected.

Directors must apprise the Board of Directors of any circumstances affecting them that might harm the Company's reputation and credit and circumstances that may impact their suitability for the post.

Directors must place their office at the disposal of the Board of Directors and accept its decision regarding their continuity or non-continuity in office, under the circumstances listed in section C.1.21 below. Should the Board resolve they not continue, they will be obliged to tender their resignation.

In any event the directors will resign their positions on reaching 75 years of age. They must present their resignation at the first meeting of the Bank's Board of Directors held after the General Meeting that approves the accounts for the year in which they reach this age.

C.1.20 Indicate whether the Board of Directors has assessed its activity during the year:

YES

If so, explain to what degree the self-assessment has led to significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes
Article 17 of the Board of Directors Regulations establishes that the Board will the quality and efficiency of the Board's operation and assessment of the performance of the duties of the Chairman of the Board. Such assessment will always begin with the report submitted by the Appointments Committee. Likewise, evaluation of the operation of its Committees, on the basis of the report that these submit to it. The Board of Director has done this during 2014. This self-assessment process is a basic element for the analysis and assessment of the effectiveness of BBVA's Corporate Governance System and is conducted by the bank's administration bodies on an on-going basis in the exercise of their duties and ensures the proper running of BBVA's Corporate Governance System and its on-going development and adaptation to the needs of the governing bodies at any given time, based on the circumstances that may affect the bank and its environment. In 2014, the bank has analysed both its needs for improvement and the changes in the regulatory, supervisory and market areas, both at a national and international level, and introduced various measures to adapt its Corporate Governance system and practices to the new environment in which the bank carries out its activity. Among other measures, in 2014 a procedure for verifying the information that is submitted for consideration by the corporate bodies was implemented, coordinated by a specific unit independent of the areas that prepare the information. The aim is to improve its quality, consistency and homogeneity and ensure that the governing bodies have sufficient, adequate and complete information to exercise their functions. The performance of the functions of this new unit has been reported to the Audit and Compliance Committee as part of its information supervision and control functions. Likewise, to facilitate the proper performance of their duties by the directors, BBVA has improved the training model for the persons who join its governing bodies. Also in 2014, the composition of its committees has been adapted to ensure that it is the most appropriate for the performance of their duties; and the Board Regulations have also been amended in relation to the Board Committees, as has been mentioned already. In this regard, a proposal has been put forward for submitting for the consideration of the next General Ordinary Meeting of Shareholders certain amendments to the regulations on the operation of the Board of Directors and the Board Committees as set out in the Company Bylaws in order to introduce certain improvements in their regulation.

C.1.21 Indicate the circumstances under which directors are obliged to resign.

In addition to the circumstances set out in applicable legislation, as established in article 12 of the BBVA Board of Directors Regulations, the directors will stand down from office when the term for which they were appointed has expired, unless they are re-elected. Directors must apprise the Board of Directors of any circumstances affecting them that might harm the Company's reputation and credit and circumstances that may impact their suitability for the post.

As set out in article 12 of the BBVA Board of Directors Regulations, directors must place their office at the disposal of the Board of Directors and accept its decision regarding their continuity or non-continuity in office, under the circumstances given below. Should the Board resolve they not continue, they will be obliged to tender their resignation.

- When they are affected by circumstances of incompatibility or prohibition as defined under prevailing legislation, in the Company Bylaws or in these Regulations;

- When significant changes occur in their professional or personal situation that may affect the condition by virtue of which they were appointed to the Board of Directors;

- When they are in serious dereliction of their duties as directors;

- When for reasons attributable to the director in his or her condition as such, serious damage has been done to the Company's net worth, credit or reputation; or

- When they lose their suitability to hold the position of director of the Bank.

C.1.22 Explain whether the role of chief executive officer in the company is performed by the chairman of the Board. If so, indicate the measures taken to limit the risks of accumulating powers in one sole person:

YES

Measures to limit risks
As set out in article 5 of the Board of Directors' Regulations, the Chairman of the Board will also be the Bank's first executive unless the Board of Directors resolves otherwise. However, BBVA has a corporate governance system that establishes effective mechanisms to avoid the concentration of power in one sole individual and guarantees effective control and efficient supervision of the Bank's executives. These include: The Board of Directors of BBVA has appointed a Consejero Delegado from among its members, as permitted by the Bank's bylaws, who in accordance with article 5a of the Board of Directors Regulations is responsible for the ordinary management of the business, on whose performance he/she will report directly to the Board of Directors and to its Chairman. In performance of such duty, the Consejero Delegado will hold the broadest powers conferred by the Board of Directors. The BBVA Board of Directors comprises a broad majority of non-executive directors and half of the members of the Board are independent directors, allowing for an appropriate balance between the oversight and control duties of the corporate bodies. Pursuant to the Board of Directors Regulations, any director may request the inclusion of items on the agenda of the Board meeting that they deem advisable for the Company's best interests. Article 18 of the Board of Directors Regulations also establishes the possibility that directors representing one quarter of the Board members in office at any time may request the holding of a Board meeting. Moreover, from among the independent directors and with the abstention of the executive directors, the Board of Directors has appointed a Lead Director who have special powers to request a Board of Directors meeting be convened or the inclusion of new items on the agenda of a Board meeting already convened, to coordinate and meet with the non-executive directors and to direct the periodic assessment of the Chairman of the Board of Directors. BBVA has an Executive Committee made up mostly of external directors that addresses the matters delegated by the Board of Directors, in accordance with current legislation, the Company Bylaws or the Board of Directors Regulations. Moreover, in order to better perform its management oversight duties and duties regarding key issues such as risk management, remuneration, appointments and reviews of the financial statements, the Board of Directors has set up various Committees to support it, including the Audit & Compliance Committee, the Appointments

Committee, the Remuneration Committee and the Risks Committee. These Committees assist the Board on matters within their remit, and their composition and rules of organisation and operation are described in detail in section C.2.4 below.

These specialist Committees only comprise non-executive directors, most of whom are independent (the Audit & Compliance Committee is made up entirely of independent directors and the Risks Committee, the Appointments Committee and the Remuneration Committee have a majority of independent directors.)

Likewise, all the Committee Chairs are independent directors with extensive experience and autonomy in the management of their respective committees. Thus, they decide the agenda for the committees, call their meetings and have direct access to Bank executives, and can also freely hire assistance from external experts when they deem this necessary for the performance of their duties.

This structure and organisation of governing bodies and the operational system of the Board of Directors(based on specialist assistance on the most relevant issues from its Committees, that operate under a system independent of the Bank's executives, setting their own agendas, calling the Bank executives to meetings as necessary and accessing all information required for the decision-making process), together with the duties performed by the Lead Director, guarantees a balanced Corporate Governance System that properly combines all its elements to avoid the accumulation of powers in one sole individual.

Indicate and, where applicable, explain whether rules have been established to empower one of the independent directors to request that a Board meeting be called or new business included on the agenda, to coordinate and voice the concerns of external directors and to direct the assessment by the Board of Directors

YES

Explanation of the rules
At its meeting held on 17th December 2014, from among its independent directors and with the abstention of the executive directors, the Board of Directors of BBVA appointed José Antonio Fernández Rivero as Lead Director of the Board of Directors, who have special powers to request a Board of Directors meeting be convened or the inclusion of new items on the agenda of a Board meeting already convened, to coordinate and meet with the non-executive directors and to direct the periodic assessment of the Chairman of the Board of Directors.

C.1.23 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

NO

Where applicable, describe the differences

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

NO

C.1.25 Indicate whether the Chairman has a casting vote:

NO

C.1.26 Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

YES

Age limit for Chairman	Age limit for Managing Director	Age limit for directors
0	0	75

C.1.27 Indicate whether the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law:

NO

C.1.28 Indicate whether the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it is mandatory to grant proxy to a director of the same type. If so, briefly give details on such standards.

The BBVA Board of Directors Regulations establishes that directors are required to attend the meetings of corporate bodies and the meetings of the Board Committees on which they sit, except for a justifiable reason. Directors shall participate in the deliberations, discussions and debates on matters submitted for their consideration.

However, article 21 of the Board of Directors Regulations establishes that should it not be possible for directors to attend any of the Board of Directors meetings, they may grant proxy to another director to represent and vote for them. This may be done by a letter or email sent to the Company with the information required for the proxy director to be able to follow the absent director's indications. Non-executive directors may only grant their proxy to another director that is also nonexecutive.

C.1.29 Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

Number of Board meetings	**14**
Number of Board meetings not attended by the Chairman	**0**

Indicate the number of meetings the Board's different committees have held during the year.

Number of Executive Committee meetings	**20**
Number of Audit Committee meetings	**12**
Number of Appointments Committee meetings	**8**
Number of Remuneration Committee meetings	**4**
Number of Risks Committee meetings	**45**

C.1.30 Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances.

Attendance of directors	**14**
% of attendances to total votes during the year	**100%**

C.1.31 Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

NO

Where applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

Article 29 of the Board of Directors Regulations establishes that the Audit & Compliance Committee will be formed exclusively by independent directors who are not members of the Bank's Executive Committee. Its mission is to assist the Board of Directors in overseeing the financial information and the exercise of the Group control duties. In this regard, its functions are as follows: Oversee the efficacy of the internal control of the Company, the internal audit and the risk-management systems in the process of drawing up and reporting the regulatory financial information, including tax risks. Also to discuss with the financial auditor any significant weaknesses in the internal control system detected when the audit is conducted and oversee the process of drawing up and reporting prescriptive financial information.

Moreover, article 3 of the Audit and Compliance Committee Regulations establishes that the Committee shall verify at appropriate intervals of time 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 agencies – particularly the Bank of Spain – and of the Bank's governing bodies. The Committee will also periodically – at least once a year – request from the auditors their evaluation of the quality of the Group's internal control procedures.

The Committee will take cognizance of any infringements, situations requiring adjustments, or anomalies that may be detected during the course of the external audit and are of a material nature; materiality in this context signifies those that, in isolation or as a whole, may give rise to a significant and substantive impact or harm to the assets, earnings or reputation of the Group; discernment of such matters will be at the discretion of the external auditors who, if in doubt, must opt to notify them.

In exercising these duties, the Audit and Compliance Committee holds monthly meetings with the External Auditor without the presence of executives, to monitor on an on-going basis their work, guaranteeing that the activity is carried out under the best conditions and with no interference in management.

C.1.33 Is the company Secretary a director?

NO

C.1.34 Explain the appointment and severance procedures for the Secretary of the Board, indicating whether his/her appointment and severance have been reported to the Appointments Committee and approved by the Board in a plenary meeting.

Appointment and severance procedure
Article 23 of the BBVA Board of Directors Regulations establishes that after receiving a report from the Appointments Committee, the Board of Directors will elect a Secretary from among its members, unless it resolves to commend these duties to a non-member. The same procedure will apply for the severance of the Secretary from his/her duties.

	YES	**NO**
Does the Appointments Committee have a say in his/her appointment?	X	
Does the Appointments Committee have a say in his/her severance?	X	
Does the Board, in plenary session, approve the appointment?	X	

Does the Board, in plenary session, approve the severance?	X	

Does the Board Secretary have the specific duty of securing compliance with corporate governance recommendations?

YES

Comments
As set out in article 23 of the Board of Directors Regulations, the Secretary, in addition to the duties attributed by law and by the Bylaws, will endeavour to ensure that the actions of the Board of Directors are in line with applicable regulations and in compliance with the Company Bylaws and other internal standards.

C.1.35 Indicate what mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

The BBVA Audit and Compliance Committee Regulations establish that this Committee's duties, described in section C.2.4.4, include ensuring the independence of the external audit in two ways:

- Avoiding any possibility of the warnings, opinions or recommendations of the auditors being adversely influenced.
- Stipulating as incompatible the provision of audit and consulting services unless there are not available in the market alternatives as regards content, quality or efficiency of equal value to those which the audit firm or firms in its group could provide; in this case approval by the Committee will be required, but this decision can be delegated in advance to its Chairman.

This matter is the subject of special attention by the Audit and Compliance Committee, which holds regular meetings with the external auditor, without Bank directors being present, to know the details of the progress and quality of the external audit work, as well as to confirm the independence of the performance of their duties. It also monitors the engagement of consultancy services to ensure compliance with the Committee's Regulations and applicable legislation in order to safeguard the independence of the external auditor.

Moreover, in accordance with the provisions of point f), section 4 of article 529m of the Corporate Enterprises Act and article 30 of the BBVA Board of Directors Regulations, the Audit and Compliance Committee each year before the external financial auditor issues their report on the financial statements, has to issue a report expressing an opinion on the independence of the external financial auditor. This report must unfailingly contain the valuation of the provision of any services referred to in the previous subsection, considered individually and as a whole, other than the legally-required audit and with respect to the regime of independence or to the standards regulating audits.. The external auditor must issue, also on an annual basis, a report confirming its independence via-à-vis BBVA or entities linked to BBVA, either directly or indirectly, with information on the additional services of any kind provided to these entities by said auditors, or by the individuals or entities linked to them, as set out in the redrafted text of the Audit Act.

In this regard, the relevant reports confirming the auditor's independence have been issued in 2014.
In addition, as BBVA's shares are listed on the New York Stock Exchange, it is subject to compliance with the Sarbanes Oxley Act and its implementing regulations.

C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

NO

If there were disagreements with the outgoing auditor, explain their grounds:

Explanation of disagreements

C.1.37 Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

YES

	Company	Group	Total
Amount of non-audit work (€k)	1.291	2.072	3.363
Amount of non-audit work / total amount billed by the audit firm (%)	10,29	13,31	11,96

C.1.38 Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

NO

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	12	12
Number of years audited by current audit firm / number of years the company has been audited (%)	85,71%	85,71%

C.1.40 Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

YES

Details of the procedure
Article 6 of the BBVA Board of Directors Regulations expressly recognises that directors may request any additional information and advice they require to comply with their duties, and may request the Board of Directors for assistance from external experts on matters subject to their consideration whose special complexity or importance so requires. The Audit & Compliance Committee, pursuant to article 31 of the Board of Directors Regulations, may engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence. Under articles 34, 37 and 40 of the Board of Directors Regulations, the rest of the Committees may obtain such advice as may be necessary to establish an informed opinion on matters related to its business. This will be done through the Secretariat of the Board.

C.1.41 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

YES

Details of the procedure
Article 6 of the Board of Directors Regulations establishes that before meetings the directors will be apprised of the necessary information to be able to form their own opinions regarding questions corresponding to the Bank's corporate bodies. They may request any additional information and advice they require to comply with their duties. Exercise of these rights will be channelled 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 Committees.

C.1.42 Indicate and, where applicable give details, whether the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation:

Explanation of the rules
In accordance with article 12 of the Board of Directors Regulations, directors must apprise the Board of Directors of any circumstances affecting them that might harm the Company's reputation and credit and circumstances that may impact their suitability for the post. Directors must place their office at the disposal of the Board of Directors and accept its decision regarding their continuity or non-continuity in office. Should the Board resolve they not continue, they will be obliged to tender their resignation when for reasons attributable to the director in his or her condition as such, serious damage has been done to the Company's net worth, credit or reputation or when they lose their suitability to hold the position of director of the Bank.

C.1.43 Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act:

NO

Indicate whether the Board of Directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

Decision adopted/action taken	Reasoned explanation

C.1.44 Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

C.1.45 Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	68
Type of beneficiary 1 executive director 13 members of the Management Committee (excluding executive directors) 54 technical & specialist professionals	**Description of agreement** The Bank is committed to pay severance indemnity to the director José Manuel González-Páramo Martínez-Murillo, whose contract recognises his right to receive an indemnity in the event of severance on grounds not due to his own will, death, retirement, invalidity or dereliction of duties, equivalent to twice his fixed remuneration. In addition, 13 members of the Management Committee are entitled to receive compensation payment in the event of severance on grounds other than their own will, retirement, disability or dereliction of duties. Its amount will be calculated by factoring in the fixed elements of the Bank employee's remuneration and length of office and which under no circumstances are paid in the event of lawful dismissal for misconduct by decision of the employer on grounds of the worker's dereliction of duties. The Bank has also agreed compensation clauses with some employees (54 technical and specialist professionals) in the event of unfair dismissal. The amount of this compensation is calculated as a function of the wage and professional conditions of each employee.

Indicate whether these contracts must be disclosed and/or approved by the company or group governance bodies:

	Board of Directors	General Meeting
Body authorising the clauses	YES	NO

	YES	NO
Is the General Meeting informed of the clauses?	x	

C.2 Board of Directors Committees

C.2.1 Detail all the Board Committees, their members and the proportion of proprietary directors and independent directors sitting on them:

EXECUTIVE COMMITTEE

Name	Position	Type

FRANCISCO GONZÁLEZ RODRÍGUEZ	CHAIRMAN	EXECUTIVE
ÁNGEL CANO FERNÁNDEZ	MEMBER	EXECUTIVE
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL
IGNACIO FERRERO JORDI	MEMBER	OTHER EXTERNAL
JOSÉ MALDONADO RAMOS	MEMBER	OTHER EXTERNAL

% executive directors	40%
% proprietary directors	0%
% independent directors	0%
% other external directors	60%

AUDIT COMMITTEE

Name	Position	Type
JOSÉ LUIS PALAO GARCÍA-SUELTO	CHAIRMAN	INDEPENDENT
BELÉN GARIJO LÓPEZ	MEMBER	INDEPENDENT
CARLOS LORING MARTÍNEZ DE IRUJO	MEMBER	INDEPENDENT
TOMÁS ALFARO DRAKE	MEMBER	INDEPENDENT

% executive directors	0%
% proprietary directors	0%
% independent directors	100%
% other external directors	0%

REMUNERATION COMMITTEE

Name	Position	Type
CARLOS LORING MARTÍNEZ DE IRUJO	CHAIRMAN	INDEPENDENT
IGNACIO FERRERO JORDI	MEMBER	OTHER EXTERNAL
JOSÉ MALDONADO RAMOS	MEMBER	OTHER EXTERNAL
JUAN PI LLORENS	MEMBER	INDEPENDENT
TOMÁS ALFARO DRAKE	MEMBER	INDEPENDENT

% executive directors	0%

% proprietary directors	0%
% independent directors	60%
% other external directors	40%

APPOINTMENTS COMMITTEE

Name	Position	Type
TOMÁS ALFARO DRAKE	CHAIRMAN	INDEPENDENT
JOSÉ ANTONIO FERNÁNDEZ RIVERO	MEMBER	INDEPENDENT
JOSÉ MALDONADO RAMOS	MEMBER	OTHER EXTERNAL
JOSÉ LUÍS PALAO GARCÍA-SUELTO	MEMBER	INDEPENDENT
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL

% executive directors	0%
% proprietary directors	0%
% independent directors	60%
% other external directors	40%

RISKS COMMITTEE

Name	Position	Type
JOSÉ ANTONIO FERNÁNDEZ RIVERO	CHAIRMAN	INDEPENDENT
JOSÉ LUIS PALAO GARCÍA-SUELTO	MEMBER	INDEPENDENT
JUAN PI LLORENS	MEMBER	INDEPENDENT
RAMÓN BUSTAMANTE Y DE LA MORA	MEMBER	OTHER EXTERNAL
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL

% executive directors	0%
% proprietary directors	0%
% independent directors	60%
% other external directors	40%

C.2.2 Fill in the following table with information on the number of female directors sitting on Board Committees over the last four years:

	Number of female directors							
	Year 2014		Year 2013		Year 2012		Year 2011	
	Number	%	Number	%	Number	%	Number	%

Executive Committee	1	20%	1	16,66%	-	-	-	-
Audit Committee	1	25%	1	20%	2	33,33%	1	20%
Appointments & Remuneration Committee	-	-	-	-	-	-	-	-
Appointments Commitee	1	20%	1	20%	1	20%	1	20%
Remuneration Committee	-	-	1	20%	1	20%	1	20%
Risks Committee	1	20%	-	-	-	-	-	-

C.2.3 Indicate the duties assigned to the Audit Committee:

	YES	NO
Supervise the process of drawing up the financial information and its integrity for the Company and its Group, reviewing compliance with regulatory requirements, suitable scope of the consolidation perimeter and the correct application of accounting principles.	X	
Periodically review the systems of internal risk management and oversight to ensure that the principal risks are properly identified, managed and made known.	X	
Ensure the independence and effectiveness of the internal audit; propose the selection, appointment, re-election and severance of the internal audit officer; propose the budget for the internal audit service; receive periodic information on their activities; and verify that the senior management pay due heed to the conclusions and recommendations of their reports.	X	
Establish and supervise a mechanism that enables employees to confidentially and, if this is deemed appropriate, anonymously communicate irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.	X	
Put to the Board the proposals for selection, appointment, re-election and substitution of the external auditor and the terms and conditions of engagement.	X	
Receive regular information from the external auditor on the audit plan and the outcome of its execution, verifying that the senior management takes due note of its recommendations.	X	
Ensure the independence of the external auditor.	X	

C.2.4 Give a description of the rules governing the organisation and running of each of the Board Committees and the responsibilities attributed to each.

2.4.1. APPOINTMENTS COMMITTEE: Article 34 of the Board Regulations regulates the rules of organisation and operation of the Appointments Committee, establishing that it will meet as often as necessary to perform its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of article 32 of the Regulations. The Committee may request the attendance at its sessions of persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. For all else, the system for convening meetings, quorums, adopting resolutions, minutes and other details of its operation will be in accordance with the provisions of the Board Regulations insofar as they are applicable.

2.4.2. REMUNERATION COMMITTEE: Article 37 of the Board Regulations establishes the rules of organisation and operation: The Remuneration Committee will meet as often as necessary to perform its duties, convened by its Chair or by whoever stands in for its Chair pursuant to article 35above . The Committee may request the attendance at its sessions of persons with tasks in the Group that are related to the Committee's duties. It may also obtain such advice as may be necessary to establish an informed opinion on matters related to its business. This will be done through the Secretariat of the Board. For all else, the system for convening meetings, quorums, adopting resolutions, minutes and other details of its operation will be in accordance with the provisions of the Board of Directors Regulations insofar as they are applicable.

2.4.3. EXECUTIVE COMMITTEE: As regards the rules of organisation and operation of this Committee, article 28 of the Board Regulations establishes that the Executive Committee will meet on the dates indicated in the annual calendar of scheduled meetings and when the Chairman or acting chairman so decides. . All other aspects of its organisation and operation will be subject to the provisions established by the Board Regulations. Once the minutes of the meetings of the Executive Committee are approved, they will be signed by the secretary of the meeting and countersigned by whoever chaired the meeting.

Directors will be given access to the approved minutes of the Executive Committee at the beginning of Board meetings, so that they can be apprised of the content of its meetings and the resolutions it has adopted.

2.4.4 AUDIT AND COMPLIANCE Y COMMITTEE: Article 31 of the Board Regulations establishes the following rules of organisation and operation: The Audit & Compliance Committee will meet as often as necessary to comply with its functions although an annual calendar of meetings will be drawn up in accordance with its mission

Executives heading areas that manage matters within the scope of its competence, especially the Accounting, Internal Audit and Regulatory Compliance departments, may be called to its meetings and,other staff from these departments who have particular knowledge or responsibility in the matters contained on the agenda, when their presence at the meeting is deemed advisable. However, only the Committee members and the Secretary shall be present when the results and conclusions of the meeting are assessed.

The Committee may 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.

The Committee may call on the personal co-operation and reports of any employee or member of the management team when it considers that this is necessary for compliance its functions in relevant issues. The usual channel for a request of this nature shall be through the reporting lines of the Company. However, in exceptional cases the request may be notified directly to the person in question. The system of convening meetings, quorums, the approval of resolutions, minutes and other details of its system of operation will be governed by the provisions of the Board Regulations insofar as they are applicable to the Committee and by any specific Regulations that may be established.

2.4.5. RISKS COMMITTEE: Article 40 of the Board Regulations establishes the rules of organisation and operation: The Risk Committee will meet as often as necessary to comply with its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of the previous article 38, although an annual calendar of meetings will be drawn up in accordance with its mission. The Committee may request the attendance of the Group Risks Officer at its meetings, and also of other executives heading the different risks areas or the persons who, within the Group organisation, have missions related to its functions. It may also obtain such advice as may be necessary to establish an informed opinion on matters related to its business. This will be done through the Secretariat of the Board. The system of convening meetings, quorums, the adoption of resolutions, minutes and other details of its procedures will be governed by the provisions defined in these Regulations for the Board of Directors insofar as they are applicable to the Committee and by the specific Committee Regulations.

C.2.5 Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

The Board of Directors Regulations are available on the Company's website and regulate the composition, duties and operation of the Board Committees. At the meeting held on 17th December 2014, the duties of the Committees have been amended in order to adapt the Board Regulations to the Corporate Enterprises Act, in its drafting given by Act 31/2014, and to Act 10/2014 on the regulation, supervision and solvency of credit institutions.

APPOINTMENTS COMMITTEE

The Chair of the Appointments Committee submitted a report to the BBVA Board of Directors on its activities during 2014, describing the tasks carried out with respect to the appointment and re-election of directors in the course of the year, the assessment of the performance of the duties of the Chairman of the Board, the review of the status of the independent directors and the proposals for the appointment and severance of the members of the Management Committee.

REMUNERATION COMMITTEE

The Chair of the Remuneration Committee submitted a report to the BBVA Board of Directors on its activities during 2014, describing the following aspects: analysis of the Group's remuneration policy for 2014 and establishment of the limit on the annual variable remuneration in accordance with Spanish and European regulations; the conditions of the variable remuneration system for the management team for 2014; the remuneration system for non-executive directors; and remuneration matters related to executive directors, such as the determination of the fixed remuneration and “benchmark bonus” for 2014 and the payment of the annual variable remuneration for 2013. The Chair also explained the tasks performed by the Committee in relation to the Annual Remuneration Report for BBVA Directors , proposed to the Board for a consultative vote at the General Meeting, and the supervision of the remuneration of the heads of the Risks and Compliance areas.

AUDIT AND COMPLIANCE COMMITTEE

The BBVA Audit & Compliance Committee has also a set of specific Regulations approved by the Board, which govern its operation and powers. These Regulations are available on the corporate website and no amendments have been made to them during 2014.

The Chair of the Audit and Compliance Committee submitted to the Board of Directors a report on its activity in 2014, giving an account of the tasks performed by the Committee in relation to the functions within its remit, indicating that the Committee had carried out its activity with no incidents and fulfilled its duties in relation to the supervision of the internal control system for financial-accounting information; the monitoring and supervision of the internal and external audits; the matters related to compliance; and those related to the regulatory area. Information was provided on the “Comprehensive Assessment” asset quality review and stress test process carried out during the year by the supervisory authorities; on the annual plan for the Compliance area and its regular monitoring; and the communications with both national and international supervisory and regulatory authorities. With respect to the external audit, it covered the working plans, schedules and communication with the external auditors, the Committee having ensured the independence of the external auditor in compliance with applicable regulations.

RISKS COMMITTEE

The BBVA Risks Committee also has a set of specific Regulations approved by the Board, which govern its operation and powers. These Regulations are available on the corporate website and no amendments have been made to them during 2014.

The Chair of the Risks Committee submitted to the Board of Directors a report related to the most significant aspects of the activity carried out in 2014 by the Committee in the performance of its duties, giving an account of the regulatory analysis conducted on the corporate policies, the proposed limits on the Group's different risks and the treatment of the transactions put to its consideration, on which the relevant report had been issued. The Chair also informed on the Group's risk management model and its development, also giving an account of the regular monitoring of the development of the fundamental metrics established in the Group's risk management scheme. The Chair also provided information on the work carried out by the Committee in relation to the review of the general policies and specific rules, as well as on the infrastructure plans and their development, for the purpose of risk management governance; on the monitoring of the liquidity and funding ratios established by the Group; on the management and develop of credit risk, with a detailed analysis of its positioning by classes of assets, distribution by geographical area, portfolio and customer, as well as on the development of the main ratios and metrics; and on the monitoring and evolution of the rest of the principal risks managed by the Group, paying special attention to the model for managing technological risk and highlighting the new operational risk model established by the Group, following the approval of Operational Risk Policy.

C.2.6 Indicate whether the composition of the executive committee reflects the distribution of different classes of directorship on the Board:

YES

Otherwise, explain the composition of the executive committee

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent body and explain the procedure, if any, for approving related-party and intra-group transactions.

Competent body for approving related-party transactions
BOARD OF DIRECTORS

Procedure for approving related-party transactions
Article 17 s) of the Board of Directors Regulations establishes that the Board is responsible for approving, where applicable, transactions that the Company or its Group companies may make with directors or shareholders that individually or in concert hold a significant interest. This includes shareholders represented on the Company's Board of Directors or the boards of other Group companies, or with parties related to them, with the exceptions established by law. Moreover, article 8 of the Board of Directors Regulations establishes that approval of the transactions of the Company or its Group companies with directors needing to be approved by the Board of Directors will be granted after receiving a report from the Audit 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 standard terms and are applied en masse to a large number of customers; 2) They go through at market rates or prices set in general by the party acting as supplier of the goods or services; and 3) They are worth less than one per cent of the Company’s annual revenues.

State whether the approval of related-party transactions has been delegated, indicating the body or parties in which said approval has been delegated, if any.

D.2 Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

Name of the significant shareholder (person or company)	Name of the company or group entity	Type of transaction	Type of transaction	Amount (€k)

D.3 Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Nature of relationship	Nature of transaction	Amount (€k)

D.4 Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any event, provide information on any intra-group transaction with companies established in countries or territories considered tax havens:

Name of the Group Company	Brief description of the transaction	Amount (€k)
BBVA GLOBAL FINANCE LTD.	Holding of securities representing debt	1.890
BBVA GLOBAL FINANCE LTD.	Current account deposits	6.725
BBVA GLOBAL FINANCE LTD.	Issue-linked subordinated liabilities	387.971
BBVA INTERNATIONAL LIMITED	Holding of securities representing debt	2.238
BBVA INTERNATIONAL LIMITED	Current account deposits	2.536
BBVA INTERNATIONAL LIMITED	Issue-linked subordinated liabilities	9.206

D.5 State the amount of the transactions carried out with other related parties.

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.

Articles 7 and 8 of the Board Regulations regulate issues relating to possible conflicts of interest as follows:

Article 7

Directors must adopt necessary measures to avoid finding themselves in situations where their interests, whether for their own account or for that of others, may enter into conflict with the corporate interest and with their duties with respect to the Company, unless the Company has granted its consent under the terms established in applicable legislation and in these Regulations.

Likewise, they must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these are decisions relating to appointment to or severance from positions on the governing body.

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 previous article obliges the directors to refrain from, in particular:
i) Carrying out transactions with the Company, unless these are ordinary business, performed under standard conditions for the customers and of insignificant quantity. Such transactions are deemed to be those whose information is not necessary to provide a true picture of the net worth, financial situation and performance of the Company;
ii) Using the name of the Company or invoking their position as director to unduly influence the performance of private transactions;
iii) Making use of corporate assets, including the Company's confidential information, for private ends;
iv)Taking advantage of the Company's business opportunities;
v) 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;
vi) Engaging in activities for their own account or on behalf of third parties that involve effective actual or potential competition with the Company or that, in any other way, bring them into permanent conflict with the Company's interests.

The above provisions will also apply should the beneficiary of the prohibited acts or activities described in the previous subsections be a related party 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 ten per cent of the corporate assets, it must necessarily be agreed by a General Meeting resolution. The obligation not to compete with the Company may only be dispensed with when no damage is expected to the Company or when any damage that is expected is compensated by benefits that are foreseen from the dispensation. The dispensation will be conferred under an express and separate resolution of the General Meeting.

In other cases, the authorisation may also be resolved by the Board of Directors, provided the independence of the members conferring it is guaranteed with respect to the director receiving the dispensation. Moreover, it will be necessary to ensure that the authorised transaction will not do harm to the corporate net worth or, where applicable, that it is carried out under market conditions and that the process is transparent.

Approval of the transactions of the Company or its Group companies with directors needing to be approved by the Board of Directors will be granted 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 standard terms and are applied en masse to a large number of customers; 2) They go through at market rates or prices set in general by the party acting as supplier of the goods or services; and 3) They are worth less than one per cent of the Company’s annual revenues.

Since BBVA is a credit institution, it is subject to the provisions of Act 10/2014, dated 26th June, on the regulation, supervision and solvency of credit institutions, whereby the directors and general managers or similar may not obtain credits, bonds or guarantees from the Bank on whose board or management they work, above the limit and under the terms established by the regulations, unless expressly authorised by the Bank of Spain.

All the members of the Board of Directors and the senior management are subject to the Company's Code of Conduct on the Securities Markets. This Code is intended to control possible conflicts of interest. It establishes that everyone subject to it must notify the head of their area or the Compliance Unit of situations that could potentially and under specific circumstances may entail conflicts of interest that could compromise their impartiality, before they engage in any transaction or conclude any business in which they could arise.

D.7 Are more than one of the Group's companies listed in Spain as publicly traded companies?

NO

Identify the subsidiaries listed in Spain:

Subsidiaries listed

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined;

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and the other companies of the group:

Mechanisms to resolve possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System.

The BBVA Group has a general model of risk management and control in place which is appropriate to its business model, its organisation and the geographical areas in which it operates, that enables it to carry out its activity within the framework of the risk control and management strategy and policy defined by the Bank's corporate bodies and adapt to a changing economic and regulatory environment, addressing its management in a global way adapted to the circumstances.

The risk management function at BBVA (Global Risk Management) is organised and developed by establishing procedures and specific rules for each type of risk, bringing the model's elements closer to the day-to-day management of risks in the Group.

The elements comprising the model are:

1. A system of governance and organisation of the risk management function that has an adequate definition of roles and responsibilities in all areas, a series of committees and delegation structures, and an internal control system which is consistent with the nature and scale of the risks.
2. A Group risk appetite approved by the Board of Directors that determines the risks and the risk level that the Group is willing to assume to achieve its business objectives.
3. A management model that, in addition to a risk planning scheme, also includes a homogeneous set of regulations and comprehensive management of the risks throughout their life cycle.
4. A framework of risk identification, evaluation, monitoring and reporting that provides the model with a dynamic and proactive vision to enable compliance with the risk appetite, even in unfavourable scenarios.
5. An adequate infrastructure that ensures that the Group has the human, technological and methodological

resources needed for effective management and supervision of risks in order to carry out the functions included in the Group's model.

Below are some notes on risk management by risk type:

• Credit risk: It represents the most important risk for the Group and includes management of counterparty risk, issuer risk, settlement risk and country risk. Credit risk management at BBVA is based on the following principles: A) availability of basic information for assessing risks, proposing risks and having supporting documentation for approval purposes; B) sufficient customer fund generation and solvency to assume the repayments of principal and interest on loans owed; C) establishment of adequate and sufficient guarantees to allow effective recovery of the operation, considered a secondary and exceptional method of recovery for when the first has failed. The Group's credit risk management is based on an integrated structure covering all the functions that permits objective and independent decision-making throughout its life cycle.

• Structural interest-rate risk: This includes the potential impact that changes in market interest rates have on the net interest income and book value of entities. This risk has a decentralised management model in the Group where the Balance-Sheet Management unit, belonging to Strategy and Finance, designs and executes through ALCO the strategies to implement, in accordance with the tolerances set out in the risk appetite framework.

• Structural exchange-rate risk: In the BBVA Group, structural exchange-rate risk is managed in a centralised way and is focused on the risk that arises from the consolidation of holdings in subsidiaries with functional currencies other than the euro. The corporate Balance-Sheet Management unit, through ALCO, designs and executes the hedging strategies with the main purpose of controlling the potential negative effect of exchange-rate fluctuations on capital ratios and on the equivalent value in euros of the foreign-currency earnings of the different subsidiaries, considering the transactions according to market expectations and their cost.

• Structural equity risk: The Group's exposure to this risk mainly stems from its holdings in non-strategic industrial and financial companies with mid-term and long-term investment horizons. It is managed in accordance with the corporate risk management policies for equity positions in the equity portfolio, in order to ensure their adaptation to BBVA's business model and its risk tolerance level.

• Market risk (trading portfolio): This arises from the probability that there may be losses in the value of the positions held as a result of changes in the market prices of financial instruments. The Group uses the Value at Risk (VaR) model to measure market risk.

• Liquidity risk: The short-term aim of the control, monitoring and management of liquidity and funding risk is to meet the payment commitments in due time and form, without having to raise funds under burdensome conditions or conditions that may damage the institution's reputation. In the medium and long term, the aim is to ensure that the Group’s funding structure is appropriate and that its evolution is suitable regarding the economic situation, the markets and the regulatory changes, in accordance with the established risk appetite.

• Operational risk: The Group’s operational risk management is based on the value drivers provided by the Advanced Measurement Approach model (AMA): knowledge, identification, prioritisation and management of potential and actual risks, supported by a governance model to drive management across all the Group's units. The aim is to reduce operational losses through management of an adequate control environment.

E.2 Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System.

BBVA's risk governance system 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 on-going basis.

The Board of Directors approves the risk strategy and supervises the internal control and management systems. Specifically, the strategy approved by the Board includes, at least, the Group's risk appetite statement, the fundamental metrics and the basic structure of limits by geographical areas, types of risk and classes of assets, as well as the bases of the risk management and control model established in this way. The

Board ensures that the budget is in line with the approved risk appetite.

On the basis established by the Board of Directors, the Executive Committee approves specific corporate policies for each type of risk. This Committee also approves and monitors the Group's risk limits, and is kept informed of any over-limits and of the corrective measures established.

Lastly, the Board of Directors has set up a committee specialising in risks, the Risks Committee. This committee conducts an on-going analysis and monitoring of risks within the remit of the corporate bodies, assisting the Board of Directors and the Executive Committee in the determination and monitoring of the risk strategy and the corporate policies, respectively. Another task of special relevance it carries out is detailed control and monitoring of the risks that affect the Group as a whole, which enables it to supervise the effective integration of the risk strategy into management and the application of the corporate policies approved by the corporate bodies.

The head of GRM is the Group's Chief Risk Officer (CRO), whose main responsibility is to ensure that the Group's risks are managed in accordance with the model. The Chief Risk Officer is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical areas and/or business areas. Each of these units is headed by a Risk Officer who, within his/her field of competence, carries out risk management and control functions and is responsible for applying the corporate policies and rules approved at the Group level in a consistent manner, adapting them if necessary to the local requirements and reporting to the local corporate bodies.

The Risk Officers of the geographical and/or business areas report both to the Group's Chief Risk Officer and to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risk management function from the operating functions and enable its alignment with the Group's corporate policies and goals related to risks.

The risks function has a decision-making process supported by a structure of committees. The Global Risk Management Committee (GRMC) is the highest executive body in the risk area and proposes, examines and, where applicable, approves, among others, the internal risk regulatory framework and the procedures and infrastructures needed to identify, assess, measure and manage the risks facing the Group in its businesses, as well as the admission of operations involving more relevant risks.

E.3 Indicate the principal risks that could prevent business targets from being met.

BBVA has risk identification and scenario analysis processes in place that enables the Group to conduct a dynamic and proactive risk management.

The risk identification processes are forward-looking to ensure the identification of emerging risks, and take into account the concerns of both the business areas, which are closer to the reality of the different geographical areas, and the corporate areas and senior management.

Risks are captured and measured in a consistent way using the most appropriate methodologies in each case. Their measurement includes the design and application of scenario analyses and stress testing, and considers the controls the risks are subjected to.

As part of this process, a forward projection is performed of the risk appetite variables in stress scenarios with the aim of identifying possible deviations from the established thresholds; if such deviations are detected, the appropriate measures are adopted to keep those variables within the target risk profile.

In this context, there are a series of emerging risks that could affect the Group's business performance. These risks are organised into the following large blocks:

• Macroeconomic and geopolitical risks

- A slowdown in growth in emerging economies and possible difficulties in Europe's economic recovery are major focal points for the Group.

- Financial institutions are exposed to the risks derived from political and social instability in the countries in which they operate, which can have a major impact on their economies and even at regional level.

The Group's diversification is the key to achieving a high level of recurring revenue, despite the conditions of the environment and the economic cycles of the economies in which it operates.

• Regulatory, legal and reputational risks

- Financial institutions are exposed to a complex and changing regulatory and legal environment that can impact their growth capacity and the conducting of certain businesses, with higher liquidity and capital requirements and lower profitability ratios. The Group monitors changes in the regulatory framework on an on-going basis to enable it to anticipate and adapt to those changes sufficiently in advance, adopt the best practices and the most efficient and rigorous criteria for their implementation.

- The financial sector is coming under intense scrutiny by regulators, governments and society itself. Negative news or inappropriate behaviour can seriously damage an institution's reputation and affect its ability to conduct a sustainable business. The attitudes and conduct of the Group and of its members are governed by the principles of integrity, honesty, long-term vision and best practices, thanks to the internal control model, the Code of Conduct and the Group's Responsible Business strategy, among others.

• Business and operational risks

- New technologies and forms of customer relations: The development of the digital world and the information technologies poses major challenges for financial institutions that represent threats (new competitors, disintermediation…) and also opportunities (new customer relations framework, greater ability to adapt to their needs, new products and distribution channels...). In this regard, digital transformation is one of the priorities for the Group, which aims to lead the digital banking of the future.

- Technological risks and security breaches: Financial institutions are exposed to new threats such as cyber-attacks, internal and customer database theft, payment system fraud… that require major investments in security from the technological and human point of view. The Group attaches a great deal of importance to active management and control of operational and technological risk. One example is the early adoption of advanced models for managing these risks (AMA - Advanced Measurement Approach).

E.4 Identify whether the entity has a risk tolerance level.

The Group's risk appetite approved by the Board of Directors determines the risks and the risk level that the Group is willing to assume to achieve its business objectives. These are expressed in terms of capital, liquidity, profitability, recurring revenue, cost of risk or other metrics.

The definition of the risk appetite has the following goals:

• To express the Group's strategy and the maximum levels of risk it is willing to assume, at both Group and

geographical and/or business area level.
• To establish a set of action guidelines and a management framework in the medium and long term that prevent actions (at both Group and geographical and/or business area level) that could compromise the future viability of the Group.
• To establish a framework for relations with the geographical and/or business areas that, while preserving their decision-making autonomy, ensures their consistency, avoiding inconsistent behaviour.
• To establish a common language throughout the organisation and develop an enforcement-oriented risk culture.
• Alignment with the new regulatory requirements, facilitating communication with regulators, investors and other stakeholders, thanks to an integrated and stable risk management framework.

The risk appetite is expressed through the following elements:

• Risk appetite statement: sets out the general principles of the Group's risk strategy and the target risk profile. BBVA's risk policy is aimed at maintaining the risk profile expressed in the Group's risk appetite statement, which is structured around a series of metrics (fundamental metrics and limits).
• Fundamental metrics: they reflect, in quantitative terms, the principles and the target risk profile set out in the risk appetite statement.
• Limits: they shape the risk appetite at geographical area, risk type and asset class level, enabling its integration into management.

The corporate risk area works with the various geographical and/or business areas to define their risk appetite, 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.

The BBVA Group assumes a certain degree of risk to be able to provide financial services and products to its customers and obtain attractive returns for its shareholders. The organisation must understand, manage and control the risks it assumes.

The aim of the organisation is not to eliminate all risks, but to assume a prudent level of risks that allows it to generate returns while maintaining acceptable capital and funding levels and generating recurrent earnings.

E.5 State what risks have occurred during the year.

Risk is inherent to financial business, so the occurrence of risk to a greater or lesser extent is absolutely implicit in the Group’s activities. Thus, the BBVA offers detailed information in its annual accounts (note 7 of the Annual Report) on those risks that, due to their nature, permanently affect the Group in the course of its business.

E.6 Explain the response and supervision plans for the principal risks faced by the company.

The BBVA Group's internal control system takes its inspiration from the best practices developed both in the COSO (Committee of Sponsoring Organisations of the Treadway Commission) “Enterprise Risk Management - Integrated Framework” and in the “Framework for Internal Control Systems in Banking Organisations”, drawn up by the Basel Bank of International Settlements (BIS).

The control model has a system comprising three lines of defence:

- The first line is made up of the Group’s business units, which are responsible for control within their remit and for implementing any measures that have been established higher up the management chain.

- The second line of defence comprises the specialist control units (Regulatory Compliance, Global Accounting & Information Management/Internal Financial Control, Internal Risk Control, IT Risk, Fraud & Security, Operational Control and Control of the Production Departments of the support units, such as Human Resources, Legal Department etc.). This line supervises control over the different units within its cross-cutting area of specialisation, defines the mitigation and improvement measures necessary and promotes their proper implementation. The Corporate Operational Risk Management unit is also part of this line of defence, providing a common management methodology and tools.
- The third line consists of the Internal Audit unit, which conducts an independent review of the model, verifying the effectiveness and compliance with corporate policies, and providing independent information about the control model.

In addition, within the risk area, the Group has units for Internal Risk Control and Internal Validation that are independent of the units that develop the models, manage the processes and execute the controls.

Its scope of action is global, both from the geographical point of view and in terms of the types of risks. It encompasses all the areas of the organisation and is designed to identify and manage the risks faced by the Group entities, in order to guarantee the established corporate objectives.

The main function of Internal Risk Control is to ensure the existence of a sufficient internal regulatory framework, a process and measures defined for each type of risks identified in the Group, and for those other types of risk that may potentially affect the Group, control their application and operation, and ensure that the risk strategy is integrated into the Group's management. Among other functions, Internal Validation is responsible for the independent review and validation, at internal level, of the models used to measure and assume the risks and for determining the Group's capital requirements.

The Group's Head of Internal Risk Control is responsible for the function and reports its activities and informs on its work plans to CRO and to the Board's Risks Committee, assisting it in any matters where requested.

To perform its duties, the unit has a structure of teams at a corporate level and also in the most important geographical areas in which the Group operates. As in the corporate area, the local units remain independent from the business areas that implement the processes, and from the units that carry out the controls, reporting functionally to the Internal Risk Control unit. The unit’s lines of action are established at Group level and it is then responsible for their local-level adaptation and implementation, and for reporting on the most relevant aspects.

F SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity.

F.1 The entity’s control environment

Give information, describing the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Pursuant to article 17 of the Board Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a publicly traded company. The Board of Directors has an Audit & Compliance Committee, whose mission is to assist the Board in the supervision of the financial statements as well as in the exercise of the control function over the BBVA Group.

In this respect, the BBVA Audit & Compliance Committee Regulations establish that the Committee's duties include the supervision of the existence and maintenance of an internal control systems which is sufficient, adequate and efficient in order to ensure firstly the accuracy, reliability, scope and clarity of the financial statements of the Entity and its consolidated Group contained in the annual and quarterly reports, and secondly, the accounting and financial information required by regulatory bodies including those corresponding to countries where the Group operates.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act ("SOX") for each year's consolidated annual accounts due to its status as a publicly traded company listed with the U.S. Securities Exchange Commission ("SEC"). The main Group executives are involved in the design, compliance and maintenance of an effective internal control model that guarantees the quality and veracity of the financial information. The Global Accounting & Information Management Department ("GA&IM") is responsible for the operation and maintenance of the model.

In addition, and with the aim of reinforcing internal control in the Group, the Corporate Assurance model was implemented in 2013 (which includes the ICFR). It establishes a framework for the supervision of the internal control model. 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, which is chaired by the Chief Operating Officer and attended by the members of the Group's Management Committee.

The different internal control units at holding and local level are responsible for the application of the internal control and operational risk methodology defined in the Group. These internal control units are responsible, together with the business areas, for identifying, prioritizing and assessing the risks, helping the units to implement a control model, documenting it and supervising it periodically as well as defining risk mitigating measures and promoting their proper implementation. The effectiveness of this internal control system is assessed on an annual basis for those risks that may have an impact on the proper drawing up of the Group's financial statements. The Internal Financial Control area, the control specialists of the business and support areas and the Group's Internal Audit department collaborate in this assessment. In addition, the external auditor of the BBVA Group issues an opinion every year on the effectiveness of internal control over financial reporting based on criteria established by COSO (Committee of Sponsoring Organisations of the Treadway Commission) and in accordance with the standards of the U.S. Public Company Accounting Oversight Board (PCAOB). This opinion appears in the Form 20-F that is filed every year with the SEC.

The result of the annual assessment of the System of Internal Control over Financial Reporting is reported to the Group's Audit and Compliance Committee by the heads of Internal Control and Internal Financial Control.

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The drafting of the financial information is carried out by the local Financial Management units of the countries and in a centralised manner by GA&IM Department, which is overall responsible for the drafting and reporting of accounting and regulatory information.
The BBVA Group has a sufficient structure of units with an adequate distribution of functions and committees throughout the organisation, as well as mechanisms for the design and review of the Group's organisational structure that clearly define the lines of action, responsibility and authority that enable it to guarantee compliance

with all the regulatory requirements affecting the drafting of the financial information of the entity and the consolidated group. It also has the necessary communication and distribution channels and circuits for this purpose.

Additionally, there is an accountability model aimed at extending the culture of, and commitment to internal control. Those in charge of the design and operation of the processes that have an impact on financial reporting certify that all the controls associated with its operation under their responsibility are sufficient and have worked correctly.

Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct, approved by the Board of Directors that sets out BBVA's specific commitments in developing one of the principles of its Corporate Culture: Integrity as a way of understanding and carrying out its businesses. This Code likewise establishes the corresponding channel for whistleblowers regarding possible infringements of the Code. It is the subject of on-going training and refresher programmes for key staff in the financial function.

The Code of Conduct applies to all entities comprising the BBVA Group and all its employees and management team. It has thus been distributed to apprise them of its content, and is published on the Bank's corporate website (www.bbva.com) and on the employees' website (intranet). Additionally, employees joining the Group staff undertake to observe its principles and rules in an express declaration of awareness and adhesion.

The content of the Code of Conduct is structured around the following blocks of principles and standards: Ethical Values, Relational Integrity, Integrity on the Markets, Personal Integrity and Organisational Integrity. Its sections 6.12 to 6.14 and 5.11 to 5.13, respectively, make special mention of the criteria for conduct in the recording of transactions and the transparency of financial reporting and disclosure to the market.

The dissemination of its content is supplemented with training activities to welcome new employees to the Group. They are underpinned by a mandatory online training course for all the employees once they join the Group and on-site refresher sessions, where deemed necessary. The subject matter of this training is both the general Code of Conduct and the corporate policy of Conduct on the Markets and their local implementing standards through the Internal Standards of Conduct in the Securities Markets.

The duties of the Audit & Compliance Committee include ensuring that the internal Codes of Ethics and Conduct and on Securities Market, applicable to the personnel, comply with legal requirements and are adequate for the Bank.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable). Their joint scope of action covers all the Group businesses and activities and their functions, in general, extend to the monitoring of the effective application of the Code.

On the other hand, the Regulatory Compliance unit is in charge of promoting the development and overseeing the effective operation of the standards and procedures necessary to ensure the identification of possible breaches of the Code of Conduct and appropriate management of the risks that may stem from this, as well as, in general, compliance with its criteria and guidelines. The whistleblowers channel is a fundamental element within its functions and will be dealt with in the following section, as is the report that it receives in its tasks from the rest of the BBVA Group control units, including Internal Audit.

Whistle-blower channel, to allow financial and accounting irregularities to be communicated to the audit committee, as well as possible non-compliance with the code of conduct and irregular activities in the organisation, reporting where applicable if this is confidential in nature.

As set out in the Group's Code of Conduct, preserving BBVA's Corporate Integrity goes beyond merely personal accountability for individual actions. It requires the commitment of all Group employees to bring into the open, by timely communication, any situations that, even if not related to their activity or area of responsibility, they consider to be ethically questionable pursuant to the Code, especially any situation that may stem from non-compliance with prevailing laws.

The Code itself establishes the people to whom such communications are sent, who, among other obligations, are duty-bound to preserve the anonymity of the whistle-blower who has, in good faith, communicated legitimate concerns about possible non-compliance with prevailing laws or situations that appear to be questionable from an ethical viewpoint.

Telephone lines and email boxes have been set up for these communications in each jurisdiction. A list of these appears 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 (explained in greater detail in their corresponding regulations) include:

- To promote adoption of the measures necessary to resolve ethically questionable actions that any of the Group members may have become aware of, either in the pursuit of their duties within the areas they represent, or as a consequence of receiving the aforementioned communications.

- To promptly report on those circumstances that could lead to significant risks for BBVA to:

    (1) the Board of Directors or the Audit & Compliance Committee, as appropriate.
    (2) the Management Committee.
    (3) The person in charge of drawing up the financial statements in order to ensure that they reflect what may be appropriate.

Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

Specific training and periodic refresher courses are given on accounting standards, internal control and risk management in units involved in preparing and reviewing the financial information and in evaluating the internal control system, to help them perform their functions correctly.

Within GA&IM there is an annual training programme for all members of the area on aspects related to the drawing up of financial information: accounting, finance and tax matters, and other courses in accordance with the needs of the area. These courses are taught by professionals from the area and by external providers of recognised prestige.

Apart from this training, there is also Bank-wide training, which includes courses on finance and technology.

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 Organisations of the Treadway Commission ("COSO"), which establish five components on which the effectiveness and efficiency of internal control systems must be based:

- Establishing an adequate control environment for monitoring all these activities.
- Evaluating all the risks that may be incurred by an entity in drawing up its financial information.
- Designing the necessary controls to mitigate the most critical risks.
- Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.
- Monitoring such controls to ensure they are operational and the validity of their effectiveness over time.

In order to identify the risks with a greater potential impact on the generation of financial information, the processes from which such information is derived are identified and documented, and an analysis of the risks that may arise in each one is conducted.

Based on the corporate internal control and operational risk methodology, the risks are included in a range of categories by type, which include the error and fraud (internal/external) categories, and their probability of occurrence and possible impact is analysed.

The process of identifying risks of error, falsehood or omission in the drawing up of the financial statements is carried out by the Financial Reporting Internal Control unit and uses a materiality calculation associated with the accounting items, processes and companies. The scope of the annual/quarterly or monthly assessment of their controls is determined based on the materiality of the risks, thus ensuring coverage of the critical risks for the financial statements.

The assessment of the aforementioned risks and of the effectiveness of their controls begins with the management's business understanding and insight, taking into account criteria of quantitative materiality, probability of occurrence and economic impact, in addition to qualitative criteria associated with the type, complexity and nature of the risks or of the business structure itself.

The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, the risks affecting it and the controls that mitigate them.

All this is documented in a corporate management tool developed and managed by Operational Risk (Storm). This tool documents all the processes and risks managed by the different control units, including the Financial Reporting Internal Control unit.

Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

All the processes developed in the BBVA Group for drawing up financial information aim to record all financial transactions, value the assets and liabilities in accordance with applicable accounting regulations and provide a breakdown of the information in accordance with regulatory requirements and market needs.

The model of control over financial information analyses each of the aforementioned processes in order to ensure that error or fraud risks are properly covered with controls that work efficiently, and is updated when there are changes in the relevant processes for drawing up the financial information.

The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

The GA&IM (Global Accounting and Information Management) organisation includes a Consolidation department that carries out a monthly process of identification, analysis and updating of the Group's consolidation perimeter.

In addition, the information from the consolidation department on new companies set up by the Group's different units and the changes made to existing companies is compared with the issues analysed by two specific committees whose function is to analyse and document the changes in the composition of the corporate group (Holding Structure Committee and Investments in Non-Banking Companies Committee, both global).

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they impact the financial statements.

The model of internal control over financial reporting is applied not only to the processes related to the drawing up of such information, but also to all operational or technical processes that may have a relevant impact on the accounting or management figures.

As explained above, all the specialist control areas apply a standard methodology and use a common tool (Storm) to document the identification of the risks, of the controls that mitigate those risks and of the assessment of their effectiveness.

There are control specialists in all the operational or support areas, and therefore any type of risk that may affect the Group's operations is analysed under that methodology (market, credit, operational, technological, financial, legal, reputational or any other type of risk) and is included in the ICFR insofar as it may have an impact on the financial information.

Which of the entity's governance bodies supervises the process.

The process for identifying risks and assessing the effectiveness and suitability of the controls is documented at least once a year, supervised by the Internal Audit area and reported to the Global Corporate Assurance Committee of the Group.

Moreover, the head of Internal Audit and the head of the Group's Internal Financial Control report each year to the Audit & Compliance Committee on the analysis and certification work carried out pursuant to the SOX methodology to comply with the legal requirements of the Sarbanes Oxley Act on internal control systems for the financial reporting included in Form 20-F, which is filed every year with the SEC (as explained in point one on the control environment).

F.3 Control activities

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorisation of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

All the processes related to the drawing up of the financial information are documented, together with their control model: risks in each process and controls established for their mitigation. As explained in point F.2.1, the aforementioned risks and controls are recorded in the corporate tool Storm, which also includes the result of the assessment of the operation of the controls and the degree of risk mitigation.

In particular, the main processes related to the generation of financial information are: accounting, consolidation, financial reporting, financial planning and monitoring, financial and fiscal management. The analysis of these processes, their risks and their controls is also supplemented by all other critical risks that may have a financial impact from business areas or other support areas.

Likewise, there are procedures for review by the areas responsible for generating the financial information disseminated to the securities markets, including the specific review of the relevant judgements, estimates and projections.

As mentioned in the annual financial statements, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income and expenses and commitments should be recorded. These estimates are mainly related to:

- Impairment losses on certain financial assets.
- The assumptions used to quantify certain provisions and in the actuarial calculation of liabilities and commitments for post-employment and other obligations.
- The useful life and impairment losses of tangible and intangible assets.
- Goodwill valuation.
- The fair value of certain financial assets and liabilities not traded on regulated markets.

These estimates are made based on the best information available on the financial statement closing date and, together with the other relevant issues for the closing of the annual and six-monthly financial statements, are analysed and authorised by an Internal Committee of GA&IM and submitted to the Audit and Compliance Committee before their filing by the Board of Directors.

F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information.

The internal control policies establish controls and procedures with respect to the operation of information systems and security of access, functional segregation, development and modification of computer applications that are used to generate financial information.

The current methodology for internal control and operational risk establishes a list of controls by category whose breakdown includes (among others) two categories: access control and functional segregation. Both categories are identified in the model of internal control of financial information and their risks and controls are analysed and assessed on a regular basis, so the integrity and reliability of the information drawn up can be guaranteed.

Additionally, there is a procedure at corporate level for the management of profiles within the systems. It is developed, implemented and updated by the Group's internal technology control unit. This unit is also in charge of providing support for control processes in change management (development in test environments and putting changes into production), incident management, management of transactions, media and backup copy management, and management of business continuity, inter alia.

With all these mechanisms, the BBVA Group ensures the maintenance of adequate management of access control, the establishment of the correct and necessary steps to put applications into production and their subsequent support, the creation of backup copies, and assurance of continuity in the processing and recording of transactions.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements.

The internal control policies establish controls and procedures for the management of subcontracted activities or those aspects of evaluation, calculation and assessment outsourced to independent experts.

There is a set of standards and an Outsourcing Committee that establishes and supervises the requirements that must be met at group level for the activities to be subcontracted. As regards the subcontracted financial processes, there are procedural manuals with the outsourced activity that identify the processes to be executed and the controls to be applied to them by the service provider units. These controls are tested by the outsourcing unit responsible for the function and documented and supervised in the processes for internal control of financial information.

The valuations of independent experts used for specific or relevant matters for generating the financial information fall within the standard circuit of internal control procedures and reviews of internal 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 keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organisation, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The organisation has two areas within GA&IM (Group Financial Accounting and Global Supervisory Relations) in charge of the Accounting (Accounting Working Group) and Solvency Technical Committees. Their purpose is to analyse, study and issue standards that may impact the drawing up of the Group's financial information, determining the accounting and solvency criteria required to ensure correct recording of transactions to the accounts and calculation of capital requirements within the framework of standards issued by the Bank of Spain, the European Union (IASB, directives on equity) and the Basel Committee.

There is an updated accounting policies manual, disseminated over the Company intranet to all the units in the Group. This manual is the tool that guarantees that all the decisions related to accounting policies or specific accounting criteria to be applied in the Group are supported and are standardised. The Accounting Policies Manual is approved in the Accounting Working Group and is documented and updated for its use and analysis by all the Group's entities.

F.4.2. Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

The Accounting and Consolidation area and the Financial areas of each countries are responsible of the elaboration of the financial reporting in accordance with the applicable accounting and consolidation rules. There is also a consolidation computer application that includes the information on the accounting of the various Group companies and performs the consolidation processes, including the standardisation of accounting criteria, aggregation of balances and consolidation adjustments.

Control measures have also been implemented in each process to guarantee that all the data underpinning the financial information are collected in a comprehensive, exact and timely manner. There is also a single and standardised format for the financial reporting system. It is applicable to and used by all the Group units and supports the main financial statements and the explanatory notes. There are also control measures and procedures to ensure that the information disclosed to the markets includes a sufficient level of detail to enable investors and other users of the financial information to understand and interpret it.

F.5 Supervision of the system's operation

Give information, describing the key features of at least:

F.5.1. The ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function whose powers include providing support to the committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

The internal control units of the business areas and of the support areas conduct a preliminary assessment of the internal control model, assess the risks of the processes and the degree of mitigation of the controls, identify weaknesses, design, implement and monitor the mitigation measures and action plans.

Additionally, the Entity has an Internal Audit unit that provides support to the Audit & Compliance Committee on the independent supervision of the financial information internal control system. The Internal Audit function is entirely independent of the units that draw up the financial information.

All the control weaknesses, mitigation measures and specific action plans are documented in the corporate tool Storm and submitted to the internal control and operational risk committees of the areas, as well as to the local or global Corporate Assurance Committees, based on the relevance of the detected issues.

To sum up: both the weaknesses identified by the internal control units and those detected by the internal or external auditor have an action plan in place to correct or mitigate the risks.

During 2014, the internal control areas have carried out a complete assessment of the financial information internal control system in which no material or significant weakness have been revealed to date. The assessment was reported to the Audit & Compliance Committee, the Global Corporate Assurance Committee, the Management Committee, the External Auditor and the Operational Risk Committee.

In addition, in compliance with SOX, the Group conducts an annual assessment of the effectiveness of the model of internal control over financial reporting for a group of risks (within the perimeter of SOX companies and critical risks) that may have an impact on the drawing up of the financial statements at local and consolidated level. This perimeter considers risks and controls of other specialities that are not directly financial (regulatory compliance, technology, risks, operational, human resources, procurement, legal, etc.).

F.5.2. Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

As mentioned in the preceding section (F.5.1) of this Annual Corporate Governance Report, the Group does have a procedure in place whereby the internal auditor, the external auditor and the heads of Internal Financial Control can report to the Audit Committee any significant internal control weaknesses detected in the course of their work.

Since BBVA is a company listed with the SEC, the BBVA Group's auditor issues on an annual basis its opinion on the effectiveness of the internal control over the financial information contained in the Group's annual consolidated statements as of 31st December each year under PCAOB standards ("Public Company Accounting Oversight Board"), with a view to filing the financial information under Form 20-F with the SEC. The latest report issued on the financial information for 2013 is available on www.sec.gov. As of the date of this report, the auditor of the annual consolidated statements has not reported any significant or material weakness to the Audit Committee, the Board of Directors or the Management Committee.

The internal control oversight carried out by the Audit & Compliance Committee, described in the Audit & Compliance Committee Regulations published on the Group website, includes the following activities:

- Oversee the internal control systems' sufficiency, appropriateness and effectiveness in order to ensure the accuracy, reliability, scope and clarity of the financial statements of the Company and its consolidated Group contained in their annual and quarterly reports. Also oversee the accounting and financial information that the Bank of Spain or other regulators, including those corresponding to countries in which the Group operates, may require.

- Ensure that the internal Codes of Ethics and Conduct and Codes on securities market trading, as they apply to Group personnel, comply with legislation requirements and are appropriate for the Bank.

- Analyse the financial statements of the Bank and its consolidated Group contained in the annual and quarterly reports prior to their submission to the Board, and with the necessary depth to check their accuracy, reliability, scope and clarity. For this purpose, the Committee will have all the necessary information with the level of detail it deems appropriate, and be provided with the necessary support by the Group's executive management, especially that of the Finance Area and that of the Company auditor.

- The Committee reviews all the relevant changes relating to the accounting principles used and the presentation of the financial statements, and ensures that due publicity is given to them.

- It selects the external auditor of the bank and of the consolidated group, and of all group companies. Ensures its independence and makes sure that its audit program is carried out.

- It approves the annual Internal Audit schedule, monitoring it and being apprised of the degree to which the audited units are complying with the corrective measures recommended.

The external auditor regularly attends the committees and is duly informed of the matters dealt with in them.

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 to review by the external auditor, in which case the entity must attach the corresponding report as an annexe. Otherwise, explain the reasons why it was not.

The information related to internal control over the financial information of the BBVA Group described in this report is reviewed by the external auditor, which issues its opinion on the control system and on its effectiveness in relation to the statements published at the close of each financial year.

On 30th April 2014, the BBVA Group, as a private foreign issuer in the United States, filed the Annual Report (Form 20-F) which was published on the SEC website on that same date.

In accordance with the requirements set out in Section 404 of the Sarbanes-Oxley Act of 2002 by the Securities and Exchange Commission (SEC), the annual report Form 20-F included the certification of the main Group executives on the establishment, maintenance and assessment of the Group's financial reporting internal control system. Form 20-F report also included the opinion of the external auditor regarding the effectiveness of the entity's financial reporting internal control system at year-end 2013.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Unified Code on corporate governance.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1.The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

COMPLIANT

2.When a dominant and a subsidiary company are publicly traded, the two should provide detailed disclosure on:

a) The type of 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.

See sections: D.4 and D.7

NOT APPLICABLE

3.Even when not expressly required under mercantile law, any transactions involving a structural corporate change should be submitted to the general meeting for approval. In particular:

a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e. reallocating core activities to subsidiaries that were previously carried out by the holding company, even though the holding company retains full control of the subsidiaries;

b) The acquisition or disposal of core operating assets that would effectively alter the company's corporate purpose;

c) Transactions that are equivalent to the company's liquidation.

See section: B.6

COMPLIANT

4.Detailed proposals of the resolutions to be adopted at the general meeting, including the information stated in recommendation 27, should be made available at the same time as publication of the call to meeting.

COMPLIANT

5.Separate votes should be taken at the general meeting on materially independent items, so shareholders can express their voting preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate ballot for each candidate;

b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different

COMPLIANT

6.Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

COMPLIANT

7.The board of directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interests and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

COMPLIANT

8.The board should see its core mission as approving the company's strategy and the organisational resources to put this into practice, and supervising and ensuring that management meets the targets set while pursuing the company's interests and corporate purpose. As such, the board in plenary should reserve the right to approve:

a) The company’s general strategies and policies, and in particular:

i) The strategic or business plan and the annual management and budgetary targets;

ii) The investment and funding policy;

iii) Definition of how the Group companies are structured;

iv) The corporate governance policy;

v) The corporate social responsibility policy;

vi) The senior managers’ remuneration and performance assessment policy;

vii) The policy for controlling and managing risks, and the periodic monitoring of the internal information and oversight systems.

viii) The pay-out policy and the treasury-stock policy, especially their limits.

See sections: C.1.14, C.1.16 and E.2

b) The following resolutions:

i) At the proposal of the company’s chief executive officer, the appointment and possible separation of senior managers from their positions, as well as their severance compensation clauses.

ii) Directors’ remuneration and any additional remuneration to executive directors for executive responsibilities and other terms and conditions that their contracts must respect.

iii) The financial information that the company, as a publicly traded company, must disclose periodically.

iv) Investments and/or transactions of any kind, whose high value or special characteristics make them strategic, unless the general meeting is charged with approving them;

v) The creation or acquisition of shares in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity could undermine the group’s transparency.

c) Transactions between the company and its directors, its significant shareholders and/or shareholders represented on the board, and/or parties related to them ("related-party transactions”).

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are carried out under arms' length contracts with standard conditions, applicable en masse to a large number of customers;

2. They go through at market rates or prices set in general by the supplier of the goods or services;

3. They are worth less than 1% of the company's annual revenues.

Related-party transactions should only be approved on the basis of a favourable report from the audit committee or any other committee entrusted with such a report; and the directors involved should neither vote nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

The above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the executive committee in urgent cases and later ratified by the board in plenary.

See sections: D.1 and D.6

COMPLIANT

9. In the interests of maximising effectiveness and participation, the board of directors should ideally comprise no fewer than five and no more than fifteen members.
See section: C.1.2.

COMPLIANT

10. External, proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimum required to deal with the complexity of the corporate group and reflect the ownership interests they control.

See sections: A.3 and C.1.3

COMPLIANT

11. Amongst external directors, the ratio between the number of proprietary and independent directors should reflect the percentage of shares held by the company that the proprietary director represents and the remaining share capital.

This strict proportionality can be attenuated so the percentage of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested in absolute terms.

2. In companies with a plurality of shareholders represented on the board but not otherwise related to each other.

See sections: A.2, A.3 and C.1.3

COMPLIANT

12. Independent directors should account for at least one third of the total number of seats.

See section: C.1.3

COMPLIANT

13. The board should explain the type of each directorship to the general meeting that must appoint the director or ratify their appointment. This should be confirmed or reviewed each year in the annual report on corporate governance, after verification by the appointments committee. Said report should also disclose the reasons for the appointment of proprietary directors at the behest of shareholders controlling less than 5% of capital; and it should explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: C.1.3 and C.1.8

COMPLIANT

14. When the number of female directors is few or zero, the appointments committee will ensure that when new vacancies open:

a) The procedure for filling board vacancies has no implicit bias against female candidates;

b) The company makes a conscious effort to seek and shortlist women with the target profile among the candidates for board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

COMPLIANT

15. The chairman, who is responsible for the efficient operation of the board, shall ensure that the directors receive sufficient prior information for the meetings; encourage directors to debate and participate actively in the meetings, safeguarding their freedom to take their own stance and express their own opinion. He/she should organise and coordinate periodic assessment of the board with the chairs of the relevant committees and with the Bank’s managing director or chief executive officer, when this is not also the chair.

See sections: C.1.19 and C.1.41

COMPLIANT

16. When the chairman of the board is also the chief executive officer of the company, one of the independent directors should be empowered to request board meetings be held and/or the inclusion of new items on the agenda; to coordinate and voice the concerns of external directors; and to direct the board's evaluation of its chairman.

See section: C.1.22

COMPLIANT

17. The secretary should take care to ensure that the board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulators;

b) Comply with the company bylaws and the regulations of the general meeting, the board of directors or others;

c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

And in order to safeguard the independence, impartiality and professionalism of the company secretary, his/her appointment and removal should be proposed by the appointments committee and approved by a full board meeting; and that these appointment and severance procedures are spelled out in the board's regulations.

See section: C.1.34

COMPLIANT

18. The board shall meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: C.1.29

COMPLIANT

19. Directors should keep their absences to the bare minimum. Absences should be quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30

COMPLIANT

20. When directors or the company 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, the person expressing them may request they be recorded in the minutes.

COMPLIANT

21. The board in plenary should evaluate the following points on a yearly basis:

a) The quality and efficiency of the board's operation;

b) Starting from a report submitted by the appointments committee, how well the chairman and chief executive officer have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by such committees.

See sections: C.1.19 and C.1.20

COMPLIANT

22. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the chairman or secretary.

See section: C.1.41

COMPLIANT

23. All directors should be entitled to call on the company for the advice and guidance they need to perform their duties. The company should provide suitable channels for the exercise of this right. Under special circumstances it could include external assistance at the company's expense.
See section: C.1.40

COMPLIANT

24. Companies should organise induction programmes for new directors to acquaint them rapidly and sufficiently with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

COMPLIANT

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) The directors must inform the appointments committee of their other professional obligations, in case these interfere with the dedication required to perform their duties.

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: C.1.12, C.1.13 and C.1.17

COMPLIANT

26. The proposal for the appointment or re-election of directors which the board submits to the general meeting, as well as provisional appointments by co-option, should be approved by the board:

a) At the proposal of the appointments committee for independent directors.

b) On the basis of a report by the appointments committee for all other directors.

See section: C.1.3

COMPLIANT

27. Companies should publish the following director particulars on their website and keep them permanently updated:

a) Professional profile and background;

b) Directorships held in other companies, listed or otherwise;

c) An indication as to the category of directorship that they hold; in the case of proprietary directors, stating the shareholder they represent or to whom they are affiliated.

d) The date of their first and subsequent appointments as a company director, and

e) Shares and/or share options held in the company.

COMPLIANT

28. Proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes to a level that requires the reduction in the number of proprietary directors, the number of such directors should be reduced accordingly.

See sections: A.2, A.3 and C.1.2

COMPLIANT

29. The board of directors must not propose the removal of independent directors before the expiry of their term in office pursuant to the bylaws, except where due cause is found by the board, based on a report from the appointments committee. In particular, due cause will be deemed to exist when the director has failed to comply with the duties inherent to the position or incurred in any of the circumstances that may make him/her lose the status of independent director, pursuant to the provisions of Order ECC/461/2013.

The severance of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

COMPLIANT

30. Companies should establish rules obliging directors to inform the board of any circumstance that might undermine the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the offences stated in article 213 of the Corporate Enterprises Act, the board should examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not he or she should be called on to resign. The board should also give a reasoned account of all such determinations in the Annual Corporate Governance Report.

See sections: C.1.42, C.1.43

COMPLIANT

31. The directors should clearly express their opposition when they consider that a resolution submitted to the board may not be in the company's best interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board adopts material or reiterated resolutions on issues about which a director has expressed serious reservations, said director must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

This Recommendation should also apply to the company secretary, even if the secretary is not a director**.**

COMPLIANT

32. If leaving office before the end of his/her term, the director should explain the reasons in a letter sent to all board members. And whether or not such resignation is filed as a significant event, the reasons for leaving must be explained in the Annual Corporate Governance Report**.**

See section: C.1.9

COMPLIANT

33. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-indexed instruments, payments indexed to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their term of office.

COMPLIANT

34. External directors' remuneration should sufficiently compensate them for the dedication, qualifications and responsibilities that the position entails; but should not be so high as to compromise their independence.

COMPLIANT

35. Deductions should be made to remuneration linked to company earnings, for any qualifications stated in the external auditor's report that reduce such earnings.

COMPLIANT

36. In the case of variable awards, remuneration policies should include technical safeguards and limits to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or similar circumstances.

COMPLIANT

37. When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board itself. The secretary of the board should also act as secretary to the executive committee.

See sections: C.2.1 and C.2.6

COMPLIANT

38. The board should be kept fully informed of the business transacted and resolutions adopted by the executive committee. To this end, all board members should receive a copy of the executive committee's minutes.

COMPLIANT

39. In addition to the audit committee mandatory under the Securities Exchange Act, the board of directors should form a committee, or two separate committees, for appointments and remuneration.

The rules governing the composition and operation of the audit committee and the committee(s) for appointments and remuneration should be set forth in the board regulations, and include the following:

a) The board of directors should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first full board meeting following each meeting;

b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior management may also attend meetings at the committees' express invitation.

c) These committees should be chaired by an independent director.

d) They may engage external advisors, when they deem this necessary for the discharge of their duties.

e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections: C.2.1 and C.2.4

COMPLIANT

40. The supervision of compliance with internal codes of conduct and corporate governance rules should be entrusted to the audit committee, the appointments committee or, as the case may be, separate compliance or corporate governance committees.

See sections: C.2.3 and C.2.4

COMPLIANT

41. All members of the audit committee, particularly its chair, should be appointed with regard to their knowledge and background in accounting, auditing and risk management.

COMPLIANT

42. Listed companies should have an internal audit function, under the supervision of the audit committee, to ensure the proper operation of internal reporting and control systems.

See section: C.2.3

COMPLIANT

43. The head of internal audit should present an annual work programme to the audit committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

COMPLIANT

44. The oversight and risk management policy should specify at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The level of risk that the company considers acceptable;

c) The measures established to mitigate the impact of the risks identified, should they materialise;

d) The internal oversight and reporting systems that will be used to control and manage said risks, including contingent liabilities and off-balance-sheet risks.

See section: E

COMPLIANT

45. The audit committee's role should be:

1 With respect to internal control and reporting systems:

a) To ensure that the principal risks identified as a consequence of the supervision of the effectiveness of the company's internal control and internal audit, where applicable, are adequately managed and disseminated.

b) To ensure the independence and effectiveness of the internal audit; propose the selection, appointment, re-election and severance of the internal audit officer; propose the budget for the internal audit service; receive periodic information on their activities; and verify that the senior management pay due heed to the conclusions and recommendations of their reports.

c) To establish and supervise a mechanism that enables employees to confidentially and, if this is deemed appropriate, anonymously communicate irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.

2 With respect to the external auditor:

a) To receive regular information from the external auditor on the audit plan and the outcome of its execution, verifying that the senior management takes due note of its recommendations.

b) To ensure the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) Should the external auditor resign, to examine the circumstances leading to the resignation.

See sections: C.1.36, C.2.3, C.2.4 and E.2

PARTIALLY COMPLIANT

The BBVA Audit & Compliance Committee Regulations establish the most broad-ranging powers with respect to the internal audit, which are detailed in section C.2.3 of this report. These include ensuring the independence and effectiveness of the internal audit function and being apprised of the appointment and severance of the head of the internal audit service. Moreover, the BBVA Group's Internal Audit Charter, approved by the Audit and Compliance Committee, expressly establishes that the appointment and severance of the head of internal audit is the responsibility of the Board of Directors of BBVA, subject to a report by the Audit and Compliance Committee, to which he/she reports directly, although the Audit and Compliance Committee does not approve the appointment or propose the budget for this service.

46. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

COMPLIANT

47. The audit committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a) The financial information that the company, as a publicly traded company, must disclose periodically. The committee should ensure that the interim accounts are drawn up with the same accounting standards as the annual accounts and, to such end, consider the advisability of a limited review by the external auditor.

b) The creation or acquisition of shares in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity could undermine the group's transparency.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: C.2.3 and C.2.4

COMPLIANT

48. The board of directors shall try to avoid the accounts it has filed being presented to the general meeting with reservations and qualifications. When this is not possible, both the chair of the audit committee and the auditors must clearly explain the content and scope of discrepancies to the markets and shareholders.

See section: C.1.38

COMPLIANT

49. The majority of appointments committee members –or appointments & remuneration committee members, as the case may be– should be independent directors.

See section: C.2.1

COMPLIANT

50. The appointments committee should have the following duties in addition to those stated in earlier recommendations:

a) Evaluate the balance of skills, knowledge and experience required on the board, define the roles and capabilities required of the candidates to fill each vacancy accordingly, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organise, in the manner it deems suitable, the succession of the chairman and/or chief executive officer and put corresponding proposals to the board for an orderly, well-planned succession.

c) Report on the senior officer appointments and removals that the chief executive proposes to the board.

d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4

COMPLIANT

51. The appointments committee shall consult with the company chairman and the chief executive officer with respect to matters related to executive directors.

Any board member may suggest potential directorship candidates to the appointments committee for its consideration.

COMPLIANT

52. The appointments committee should have the following duties in addition to those stated in earlier recommendations:

a) Make proposals to the board of directors regarding:

i) The policy for directors' and senior managers' remuneration;

ii) The individual remuneration and other contractual conditions of executive directors.

iii) The basic conditions of the contracts for senior managers.

b) Oversee compliance with the remuneration policy set by the company.

See sections: C.2.4

COMPLIANT

53. The remuneration committee shall consult with the company chairman and the chief executive officer, especially with respect to matters related to executive directors and senior managers.

COMPLIANT

H - OTHER INFORMATION OF INTEREST

1.If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2.This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from any country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report

3.The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing.

The data in this report refer to the year ending 31st December 2014, except in those cases when another date of reference is specifically stated.

Further to Section A.1., on 14th January 2015 BBVA completed a capital increase against reserves, as agreed by the General Ordinary Meeting of Shareholders held on 14th March 2014 under item four, section 4.3 of the agenda, which was executed by the Board of Directors at its meeting held on 17th December 2014, to implement the shareholder remuneration scheme known as “Dividend Option”. The number of ordinary BBVA shares issued under the capital increase was 53,584,943, each with a nominal value of €0.49, with the nominal amount of the capital increase being €26,256,622.07. After the increase, the Bank's share capital was therefore €3,050,212,729.62, represented by 6,224,923,938 shares, each with a nominal value of €0.49, all of the same class and series, fully subscribed and paid up.

Further to Section A.2, State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd., as international custodian/depositary banks, held 11.646%, 7.462% and 5.845% of BBVA's share capital, respectively, on December 31st, 2014. Among the positions held by the custodian, the company has not been notified of any individual shareholders with direct or indirect holdings of over 3% of the BBVAshare capital..

Filings of significant holdings to CNMV: In 2010, Blackrock Inc. filed a report with the CNMV (securities exchange authority) stating that as a consequence of the acquisition of the Barclays Global Investors (BGI) business, it now had an indirect holding of 4.45% of the BBVA share capital, through the company Blackrock Investment Management.

The director holdings indicated in section A.3 correspond to 31st December 2014, and therefore they may have changed subsequently. Moreover, following the instructions in Circular 5/2013 of the CNMV, the owners of indirect holdings are not identified in this section, as none of them reaches the percentage of 3% of the share capital and none of them are resident in tax havens.

Further to the information in section A.3, the following "rights over shares" are included for the BBVA executive directors: 1) Deferred shares pending payment under the LTI Programme for 2010/2011 (35,000 shares in the case of Francisco González, vesting in 2015; and 30,000 shares in the case of Ángel Cano, vesting in 2015); 2) Deferred shares pending payment under the Variable Remuneration in Shares Programme for 2011, vesting in 2015 (51,826 shares in the case of Francisco González; and 32,963 shares in the case of Ángel Cano); 3) Deferred shares pending payment under the Variable Remuneration in Shares Programme for 2012 (36,163 shares in the case of Francisco González, vesting in 2015 and 2016; and 22,032 shares in the case of Ángel Cano, vesting in 2015 and 2016); 4) Deferred shares pending payment under the Variable Remuneration in Shares Programme for 2013 (29,557 shares in the case of Francisco González; and 18,356 shares in the case of Ángel Cano, vesting in each case in 2015, 2016 and 2017); and 5) The “units” allocated under the Variable Remuneration in Shares Programme for 2014 (155,000 units in the case of Francisco González; 117,000 units in the case of Ángel Cano and 20,000 units in the case of José Manuel González-Páramo Martínez-Murillo). Pursuant to the Settlement & Payment System for variable remuneration established in previous years, which applies to executive directors and described in the Annual Report on Directors' Remuneration of BBVA, the payment of the deferred shares is conditional on none of the events established by the Board of Directors arising that could impede their delivery (malus clause), and on the rest of the conditions of the Settlement & Payment System.

Further to the information in section A.8, regarding earnings from treasury-stock trading, rule 21 of Circular 4/2004 and IAS 32, paragraph 33, expressly prohibit the recognition in the income statement of profits or losses made on transactions carried out with treasury stock, including their issue and redemption. Said profits and losses are directly booked against the company’s net assets. In the chart of significant changes, the section on the date of disclosure includes the date of the CNMV incoming register of Annexe VI of communications with treasury stock.

Further to the information in section A.10, there are no legal or bylaws restrictions on the exercise of voting rights and there are no bylaws restrictions on the free acquisition or transfer of shares in the company’s share capital. As for the legal restrictions on the free acquisition or transfer of shares in the company’s share capital, Act 10/2014, dated 26th June, on the regulation, supervision and solvency of credit institutions establishes that the direct or indirect acquisition of a significant holding (as defined in article 16 of that Act) is subject to assessment by the Bank of Spain as set out in articles 16 et seq. of that Act.

Further to section B.6, it was decided and approved to submit the amendment of the Company bylaws for the consideration of the next General Ordinary Meeting of Shareholders in order to, among other matters, include a proviso stating that certain decisions involving a structural modification of the company are to be submitted for the approval of the general meeting.

Further to section C.1.3, the directors Ramón Bustamante y de la Mora, Ignacio Ferrero Jordi and Susana Rodríguez Vidarte ceased to be independent directors on 17th December 2014 as a result of the amendment on that date of certain articles of the Board of Directors Regulations, including the article relating to the definition of independent directors, establishing that those who have been in office for a continuous period of more than 12 years will no longer be considered as such.

Further to section C.1.12, Juan Pi Llorens is the Chairman of the Board of Directors of Ecolumber, S.A. as a natural person representing the company Relocation Inversiones, S.L.

Further to the information included in section C.1.15:

The amount indicated as "Remuneration of the Board of Directors" includes remuneration stemming from the remuneration systems established for non-executive and executive directors pursuant to article 33 bis and 50 bis of the Company Bylaws, respectively, and includes:

a) Fixed remuneration (for belonging to the Board and its Committees) and remuneration in kind corresponding to 2014 for non-executive directors, and the amounts paid to a non-executive director for early retirement as a former Bank senior manager.

b) The fixed remuneration and the remuneration in kind for executive directors (3) corresponding to 2014.

c) The annual variable remuneration (in cash and in shares) of executive directors corresponding to 2014. However, this remuneration has not accrued to the executive directors in its entirety on the date of this Report, as pursuant to the Settlement and Payment System for variable remuneration that is applied to them and described in the Report on Directors' Remuneration in the BBVA Group, they will only receive 50% of this in 2015, the rest being deferred for payment of one third in each of the three following years (2016, 2017 and 2018), and subject to the non-occurrence of any of the circumstances established by the Board of Directors that might prevent delivery (malus clause) as well as the rest of the conditions of the Settlement and Payment System.

d) The remuneration paid under all the items to an independent director who stood down from his directorship in March 2014 and who, consequently, did not remain in his position on 31st December 2014.

The total amount indicated, pursuant to the instructions in this Report, corresponds to the amount declared as total remuneration accrued according to chart c) "Summary of Remuneration", section D.1 in the Annual Report on Directors' Remuneration in BBVA.

All these items are included for each individual director in Note 53 of the consolidated Group Annual Report.

Likewise, the provisions recorded at 31st December 2014 to cover pension commitments for executive directors stood at €26,026k in the case of Ángel Cano and €269k in the case of José Manuel González-Páramo Martínez-Murillo, after the sums of €2,624k and €261k were set aside in 2014 in the case of Ángel Cano and of José Manuel González-Páramo Martínez-Murillo, respectively, to cover the contingencies of retirement, disablement and death. There were no other pension commitments for other members of the Board of Directors.

The balance of the item "Provisions - Funds for pensions and similar liabilities" on the Group's consolidated balance sheet at 31st December 2014 includes €90m under the item for post-employment benefit commitments maintained with former members of the Board of Directors.

Further to the information included in section C.1.16:
The item "Total remuneration of senior management" includes:

a) Fixed remuneration and remuneration in kind for the Management Committee members during 2014.

b) The variable remuneration of the Management Committee members received during the first quarter of 2014 corresponding to 2013, both in cash and in shares.

c) The part of the deferred variable remuneration of the Management Committee members received during the first quarter of 2014, which includes: the deferred part of the variable remuneration for 2012 and 2011, both in cash and in shares, as well as the part of the ILP programme for 2010-2011, which was deferred in shares, plus the amount of the corresponding updates.

The monetisation of the shares corresponding to that remuneration has taken as a reference the average closing price of the BBVA share corresponding to the trading days from 15th December 2013 to 15th January 2014, €8.99 per share, with the reference price in 2013 being €7.24 per share.

The provisions charged as of 31st December 2014 for pension commitments for the current Management Committee members, excluding executive directors, amounted to €89,817k. Of these, €8,649k were provisioned during 2014.
The balance of the item "Provisions - Funds for pensions and similar liabilities" on the Group's consolidated balance sheet as of 31st December 2014 includes €189m under the item for post-employment benefit commitments maintained with former members of the Bank's Management Committee.

With regard to section C.1.31, as BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities & Exchange Commission (SEC) and, thus, in compliance with the Sarbanes Oxley Act and its implementing regulations, and for this reason each year Francisco González, Ángel Cano and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (Form 20-F) which the Company files with this authority for the official record.

In relation to section C.1.45, Ángel Cano’s contract determines that should he cease to hold this position on any grounds other than his own will, retirement, disability or dereliction of duty, he will take early retirement with a pension payable, as he chooses, through a lifelong annuity pension, or by payment of a lump sum. This pension will be 75% of his pensionable salary if the severance occurs before he is 55, and 85% if it occurs after reaching said age. Likewise, the Board of Directors only approves the contract conditions related to executive directors and senior management members as set out in article 17 of the Board Regulations, which are reported to the General Meeting through this Report and the Annual Report on Directors' Remuneration of BBVA, but does not authorise those of other technical and specialist professionals.

With respect to the duties of the Audit & Compliance Committee set forth in section C.2.3, under the Audit Committee Regulations, its duties include ensuring that the Internal Audit department has the means and resources required, with enough personnel, material elements, systems, procedures and operating manuals to perform its duties in the Group and that it will be apprised of any obstacles to the performance of its duties that may have arisen. The Audit and Compliance Committee shall ensure the independence of the Internal Audit function and supervise and be reported directly on the result of its activity and the availability of adequate human and material resources to meet its responsibilities. It will analyse and, where appropriate, approve, upon proposal by the head of Internal Audit of the Group, the Annual Internal Audit Plan, as well as those other additional occasional or specific plans that have to be put in place on account of regulatory changes or Group business organisational needs. The plan's approval will require the availability of the human and material resources needed for this purpose. It will be apprised of the extent to which the audited units have complied with the corrective measures recommended by the Internal Audit in previous audits, and any cases that might pose a relevant risk for the Group will be reported to the Board. The Committee will be informed of any material irregularities, anomalies or breaches that the Internal Audit detects in the course of its actions, material being construed as any that may originate a significant and material impact or damage to the Group’s net worth, earnings or reputation. The Internal Audit department will judge such nature at its discretion and, in case of doubt, must report the matter. Moreover, the BBVA Group's Internal Audit Charter, approved by the Audit and Compliance Committee, expressly establishes that the appointment and severance of the head of internal audit is the responsibility of the Board of Directors of BBVA, subject to a report by the Audit and Compliance Committee, to which he/she reports directly, although the Audit and Compliance Committee does not approve the appointment or propose the budget for this service.

Further to Section C.2.4, we provide brief indications regarding what the regulations establish about the composition and functions of each of the Board Committees:

• Appointments Committee: Article 32 of the Board Regulations establish that the Appointments Committeewill consist of at least three members, who will be appointed by the Board of Directors, which will also appoint the Committee Chair.. All Committee members must be non-executive directors, with a majority of independent directors. Its Chair must be an independent director. When the Chair cannot be present, his/her duties will be performed by the most long-standing independent member of the Committee, and, where more than one person of equal seniority are present, by the eldest.Article 33 details the functions, which include the following:

1. Submit proposals to the Board of Directors on the appointment, reelection or separation of independent directors and report on proposals for the appointment, re-election or separation of the other directors. To such end, the Committee will evaluate the balance of skills, knowledge and expertise on the Board of Directors, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in view of the needs that the Company’s governing bodies may have at any time. The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may entail any discrimination and in particular discrimination that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included on the shortlists. Likewise, when drawing up proposals within its scope of competence for the appointment of directors the Committee will take into account in case they may be considered suitable, any applications that may be made by any member of the Board of Directors for potential candidates to fill the vacancies.
2. Submit proposals to the Board of Directors for policies on the selection and diversity of members of the Board of Directors.
3. Establish a target for representation of the underrepresented gender in 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 a year when carrying out its operational assessment.
5. Analyse the suitability of the various members of the Board of Directors.
6. Perform an annual review of the status of each director, so that this may be reflected in the annual corporate governance report.
7. Report the proposals for the appointment of the Chairman and the Secretary and, where applicable, the Deputy Chairman and the Deputy Secretary.
8. Report on the performance of the duties of the Chairman of the Board, for the purposes of the periodic assessment by the Board of Directors, under the terms established herein.
9. Examine and organise the succession of the Chairman and, as applicable, file proposals with the Board of Directors so that the succession takes place in a planned and orderly manner.
10. Review the Board of Directors' policy on the selection and appointment of members of senior management, and file recommendations with the Board when applicable.
11. Report on proposals for appointment and separation of senior managers.

12. Any other duties that may have been allocated under these Regulations or attributed to the Committee by a Board of Directors resolution or by applicable legislation.
In the performance of its duties, the Appointments Committee will consult with the Chairman of the Board via the Committee Chair, especially with respect to matters related to executive directors and senior managers.

• Remuneration Committee. Article 35 of the Board Regulations establishes that the Remuneration Committee will consist of at least three members, appointed by the Board of Directors, which will also appoint the Committee Chair. All Committee members must be non-executive directors, with a majority of independent directors. Its Chair must also be an independent director. When the Chair cannot be present, his/her duties will be performed by the most long-standing independent member of the Committee, and, where more than one person of equal seniority are present, by the eldest. Article 36 establishes that the functions of the Remuneration Committee will be as follows:

1. Propose to the Board of Directors, for its submission to the General Meeting, the directors' remuneration policy, with respect to its items, amounts, and parameters for its determination and its vesting. Also to submit the corresponding report, in the terms established by applicable law at any time.
2. Determine the extent and amount of the individual remunerations, entitlements and other economic compensations and other contractual conditions for the executive directors, so that these can be reflected in their contracts. The Committee's proposals on such matters will be submitted to the Board of Directors.
3. Propose the annual report on the remuneration of the Bank directors to the Board of Directors each year, which will then be submitted to the Annual General Meeting, in compliance with the applicable legislation.
4. Propose the remuneration policy to the Board of Directors for senior managers and employees whose professional activities have a significant impact on the Company's risk profile.
5. Propose the basic conditions of the senior management contracts to the Board of Directors, and directly supervise the remuneration of the senior managers in charge of risk management and compliance functions within the Company.
6. Oversee observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to directors, senior managers and employees whose professional activities have a significant impact on the Company's risk profile.
7. Any other duties that may have been allocated under these Regulations or attributed to the Committee by a Board of Directors resolution or by applicable legislation. In the performance of its duties, the Remuneration Committee will consult with the Chairman of the Board via the Committee Chair, especially with respect to matters related to executive directors and senior managers.

• Audit & Compliance Committee: Article 29 of the Board Regulations establishes that the Audit and Compliance Committee will be formed exclusively by independent directors who are not members of the Bank's Executive Committee. Its mission is to assist the Board of Directors in overseeing the financial information and the exercise of the Group control duties. It will have a minimum of four members appointed by the Board, one of whom will be appointed taking into account their knowledge of accounting, auditing or both. The Board of Directors will also nominate the Chair of this Committee, who must be replaced every four years. However, the same person may be re-elected once a year has elapsed since ceasing to hold the position. When the Chair cannot be present, his/her duties will be performed by the most long-standing member of the Committee, and, where more than one person of equal seniority is present, by the eldest. The Committee will appoint a Secretary who may or may not be a Committee member. Article 30 of the Board Regulations sets out that the Audit and Compliance Committee will have the powers established by law and by the Company Bylaws. Its scope of duty will be as follows:
1. Report to the General Meeting on questions raised with respect to those matters falling within the Committee's competence.
2. Oversee the efficacy of the internal control of the Company, the internal audit and the risk-management systems in the process of drawing up and reporting the regulatory financial information, including tax risks. Also to discuss with the financial auditor any significant weaknesses in the internal control system detected when the audit is conducted.
3. Oversee the process of drawing up and reporting prescriptive financial information.
4. Submit to the Board of Directors proposals on the selection, appointment, re-election and replacement of the external auditor, as well as their contractual conditions, and regularly collect information from the external auditor regarding the audit plan and its implementation, as well as preserving the auditor's independence in the performance of their duties.
5. Establish correct relations with the external auditor in order to receive information on any matters that may jeopardise their independence, for examination by the Committee, and any others relating to the process of the financial auditing; as well as those other communications provided for by law and by the auditing regulations. Each year it must unfailingly receive the external auditors' declaration of their independence with regard to the

Company or entities directly or indirectly related to it, as well as information on additional services provided of any kind and the corresponding fees received by the external auditor or by persons or entities linked to them as provided for under the legislation on financial auditing.
6. Each year before the external financial auditor issues their report on the financial statements, to issue a report expressing an opinion on the independence of the external financial auditor. This report must unfailingly contain the valuation of the provision of any services referred to in the previous subsection, considered individually and as a whole, other than the legally-required audit and with respect to the regime of independence or to the standards regulating audits.
7. Report, prior to the Board of Directors adopting resolutions, on all those matters established by law, by the Company Bylaws and by these Regulations, and in particular on: (i).the financial information that the Company must periodically publish;(ii) the creation or acquisition of a holding in special-purpose entities or entities domiciled in countries or territories considered tax havens; and (iii) related-party transactions.
8. Oversee compliance with applicable domestic and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to anti-trust regulations. Also to ensure that any requests for action or information made by official authorities with competence in these matters are dealt with in due time and in due form.
9. Ensure that the codes of ethics and of internal conduct and conduct on the securities market, as they apply to Group personnel, comply with regulatory requirements and are adequate.
10. Especially to oversee compliance with the provisions applicable to directors contained herein, as well as their compliance with the applicable standards of conduct on the securities markets.
11. Any other duties that may have been allocated under these Regulations or attributed to the Committee by a Board of Directors resolution. As part of this objective scope, the Board will detail the functions of the Committee in a specific set of regulations establishing procedures by which it may perform its mission, which will supplement the provisions herein.

• Executive Committee: In accordance with article 45 of the Company bylaws BBVA has an Executive Committee, to which the Board has delegated all its powers of administration, except those that the law and/or bylaws deem may not be delegated due to their essential nature. Article 26 of the Board Regulations establishes the following: The Executive Committee will be chaired by the Chairman of the Board of Directors, or when this is not possible, by whomever the Company bylaws determine. The secretary of the Committee will be the Secretary of the Board. If absent, the person the meeting's members appoint for this purpose will stand in for the Board Secretary. Article 46 of the Company bylaws establishes that this Committee will will consider matters falling within the responsibility of the Board which the Board, pursuant to prevailing legislation or these Company Bylaws, resolves to entrust to it.Article 27 of the Board Regulations establishes the functions of the Executive Committee within the Company, as follows: The Executive Committee will deal with the business that the Board of Directors delegates to it in accordance with current legislation, the Company bylaws or these Regulations.

• Risks Committee: Article 38 of the Company Board Regulations establishes that the Risks Committee will.consist of at least three members, appointed by the Board of Directors, which will also appoint the Committee Chair. All Committee members must be non-executive directors, of whom at least one third must be independent directors. Its Chair must also be an independent director. When the Chair cannot be present, his/her duties will be performed by the most long-standing member of the Committee, and, where more than one person of equal seniority is present, by the eldest. Article 39 of the Board Regulations establishes that the Risks Committee will assist the Board of Directors in the determination and monitoring of the Group risk management and control policy and its strategy within this scope. In particular, it will perform the following functions:
1. Analyse and assess proposals related to the Group's risk management, control and strategy. In particular, these will identify:
a) The Group's risk appetite; and
b) Establishment of the level of risk considered acceptable according to the risk profile and capital at risk, broken down by the Group's businesses and areas of activity;
2. Analyse and assess the control and management policies for the Group's different risks and information and internal control systems.
3. The measures established to mitigate the impact of the risks identified, should they materialise.
4. Monitor the performance of the Group's risks and their fit with the strategies and policies defined and the Group's risk appetite.
5. Analyse, prior to submitting them to the Board of Directors or the Executive Committee, those risk transactions that must be put to its consideration.
6. Review whether the prices of assets and liabilities offered to customers take fully into account the Bank's business model and risk strategy and, if not, present a remedy plan to the Board of Directors.

7. Participate in the process of establishing the remuneration policy, checking that is consistent with sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company.
8. Check that the Company and its Group has the means, systems, structures and resources in line with best practices that enable it to implement its risk-management strategy, ensuring that the entity's risk management mechanisms are matched to its strategy.
9. Any other duties that may have been allocated under these Regulations or attributed to the Committee by a Board of Directors resolution or by applicable legislation.

Further to section C.2.6, the Board's Executive Committee is made up of 2 executive directors and 3 external non-executive directors. As of 31st December 2014, BBVA's Executive Committee reflected the participation of directors on the Board, as there was a majority of non-executive directors over executive directors, in accordance with article 26 of the Board Regulations. Moreover, its Chair and Secretary hold the same positions on the Board of Directors. Until 17th December 2014, this Committee comprised 2 executive directors, 2 independent directors and 1 external director. Since that date, the Executive Committee no longer has independent directors due to the changes made to the status of two Committee members as a result of the adaptation on that date of the Board Regulations to the definition of the independent director category established by the Corporate Enterprises Act in its drafting given by Act 31/2014.

With respect to section D (Related-party and Intragroup Transactions), see Note 52 of the BBVA Annual Consolidated Accounts for 2014.

With respect to section D.4, it details the transactions conducted by Banco Bilbao Vizcaya Argentaria, S.A. with companies issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances.

Further to sections E and F, BBVA has included in its Internal Control Model a set of processes that affect the fiscal function, in particular all those that may have an impact on the Group's financial statements. The latter are included within the ICFR (System of Internal Control over Financial Reporting) and, as described in section F of this document, they undergo an annual assessment process to check the operation of the controls and the degree of mitigation of the risks associated with those processes.

Regarding Recommendation 40 in Section G, article 30 of the Board Regulations empowers the Audit & Compliance Committee to supervise the Internal Code of Conduct on the Securities Markets.

During 2011, the BBVA Board of Directors approved the Bank's adhesion to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) approved by Foro de Grandes Empresas according to the wording proposed by the State Tax Administration Agency (AEAT). During this year, it has been compliant with the contents of this Code. Moreover, BBVA is committed to applying the provisions of the Universal Declaration of Human Rights, the United Nations Global Compact (which BBVA has formally signed) and other conventions and treaties involving international organisations such as the Organisation for Economic Cooperation and Development and the International Labour Organisation.

This annual report on corporate governance has been approved by the Company’s Board of Directors on 2015/02/03

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

NO

DECLARATION OF LIABILITY FOR ANNUAL FINANCIAL REPORT

The members of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. hereby declare that, as far as they are aware, the individual and consolidated statements for 2014, filed at their meeting, 3rd February 2015, drawn up according to applicable accounting standards, provide a true picture of the net worth, the financial situation and the results of Banco Bilbao Vizcaya Argentaria, S.A. and the companies it consolidates taken as a whole, and that the consolidated and individual management reports include a true analysis of the evolution and position of Banco Bilbao Vizcaya Argentaria, S.A. and the companies that it consolidates taken as a whole, along with a description of the main risks and uncertainties that they face.

Madrid, 3rd February 2015

D. FRANCISCO GONZÁLEZ RODRÍGUEZ Chairman and CEO	D. ÁNGEL CANO FERNÁNDEZ President and COO
D. TOMÁS ALFARO DRAKE Director	D. RAMÓN BUSTAMANTE Y DE LA MORA Director
D. JOSÉ ANTONIO FERNÁNDEZ RIVERO Director	D. IGNACIO FERRERO JORDI Director
Dª BELÉN GARIJO LÓPEZ Director	D. JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO Director
D. CARLOS LORING MARTINEZ DE IRUJO Director	Dª LOURDES MÁIZ CARRO Director
D. JOSÉ MALDONADO RAMOS Director	D. JOSÉ LUIS PALAO GARCÍA-SUELTO Director
D. JUAN PI LLORENS Director	Dª SUSANA RODRÍGUEZ VIDARTE Director

This English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail

BBVA in 2014

We work for a better future for people

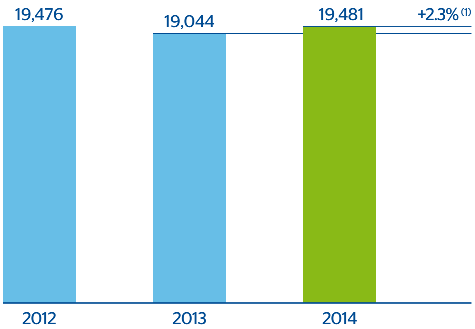
"In 2014 we achieved good earnings, took important decisions that improve BBVA's growth potential and made notable progress in our digital transformation strategy."

Francisco González, Chairman and CEO

Contents

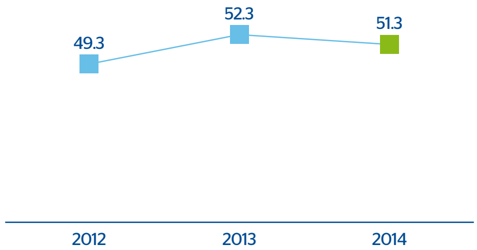
BBVA Group Highlights

Net interest income plus fees and commissions (Million euros)

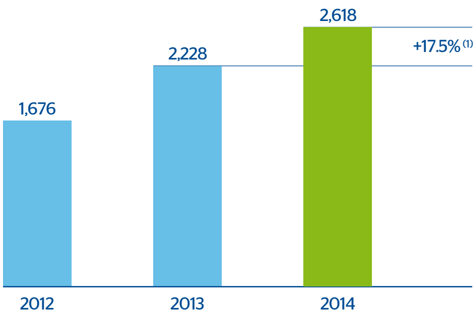


(1) At constant exchange rates: +13.3%.

Efficiency ratio (Percentage)

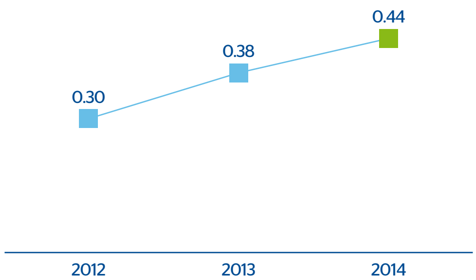


Net attributable profit (Million euros)

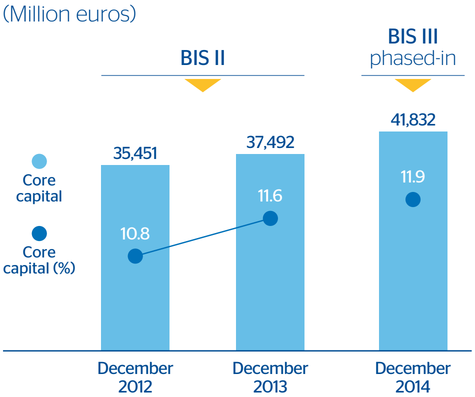


(1) At constant exchange rates: +42.5%.

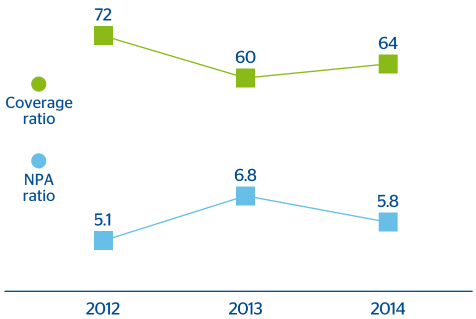
Earnings per share (Euros)



Core capital (Million euros)



Coverage and NPA ratios



BBVA Group Highlights

(Consolidated figures)

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

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

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

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

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

Conciliation of the BBVA Group's financial statements

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

Consolidated income statement BBVA Group

(Million euros)

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

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

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

Consolidated balance sheet BBVA Group

(Million euros)

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

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

Letter from the Chairman and CEO

Dear Shareholder,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

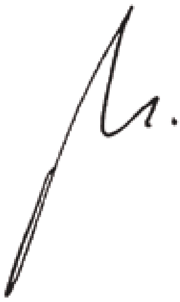
In 2014 we continued to "work for a better future for people". For its part, the Board of Directors approved the Group's renewed Corporate Social Responsibility Policy. In addition, significant progress was made in responsible banking. Examples include: the partnership with the OECD to prepare the PISA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

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

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

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

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



March 1, 2015
Francisco González Rodríguez

BBVA Group

About BBVA

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

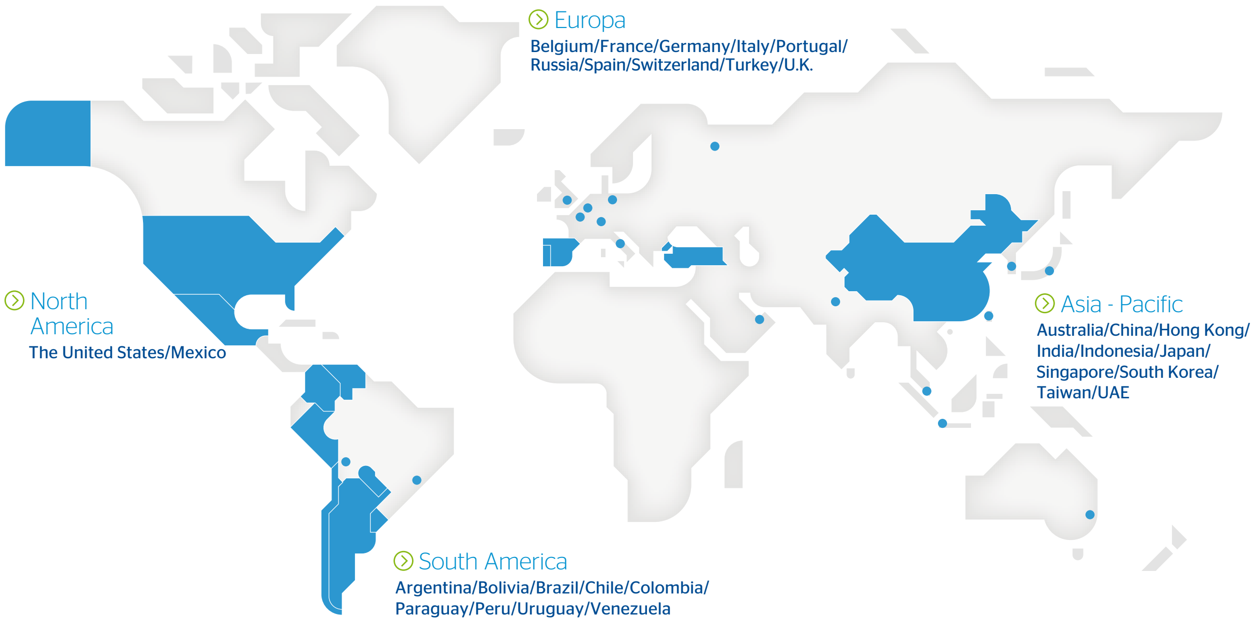
BBVA is a global **financial Group** founded in 1857. It has a customer-centric approach focused on both retail and wholesale businesses, based on creating a stable and lasting relationship that can offer a complete range of financial and non-financial products and services wherever the Group operates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

A brief history of BBVA's expansion process

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

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

BBVA in the world

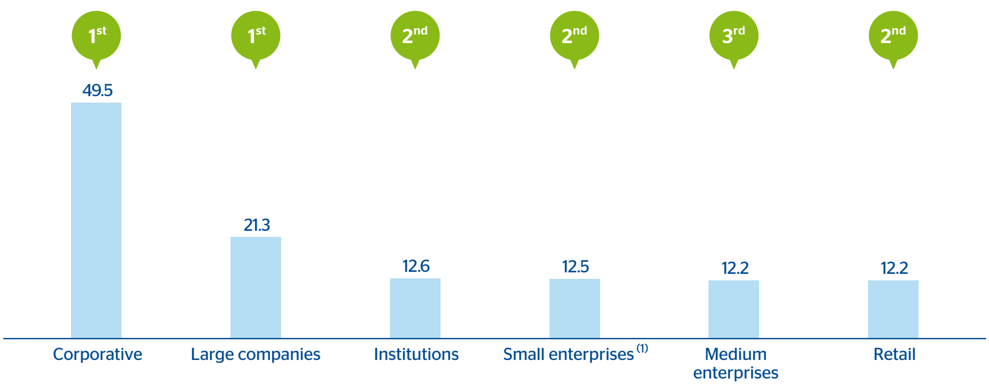


€652	51	31	7,371	22,104	108,770
billion in total assets	million customers	countries	branches	ATMs	employees

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

Spain. Main financial services provider market share

(Percentage and ranking)



(1) Includes business pofessionals.

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

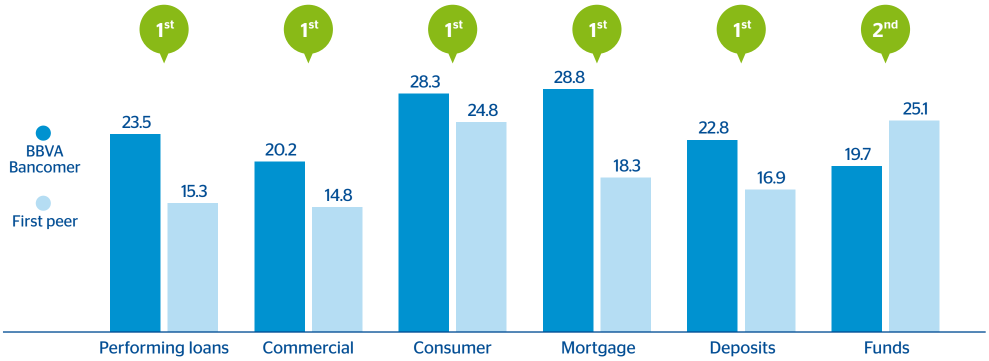
BBVA has a strong position in Spain

It ranks first in the Mexican financial system

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

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

(Percentage)



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

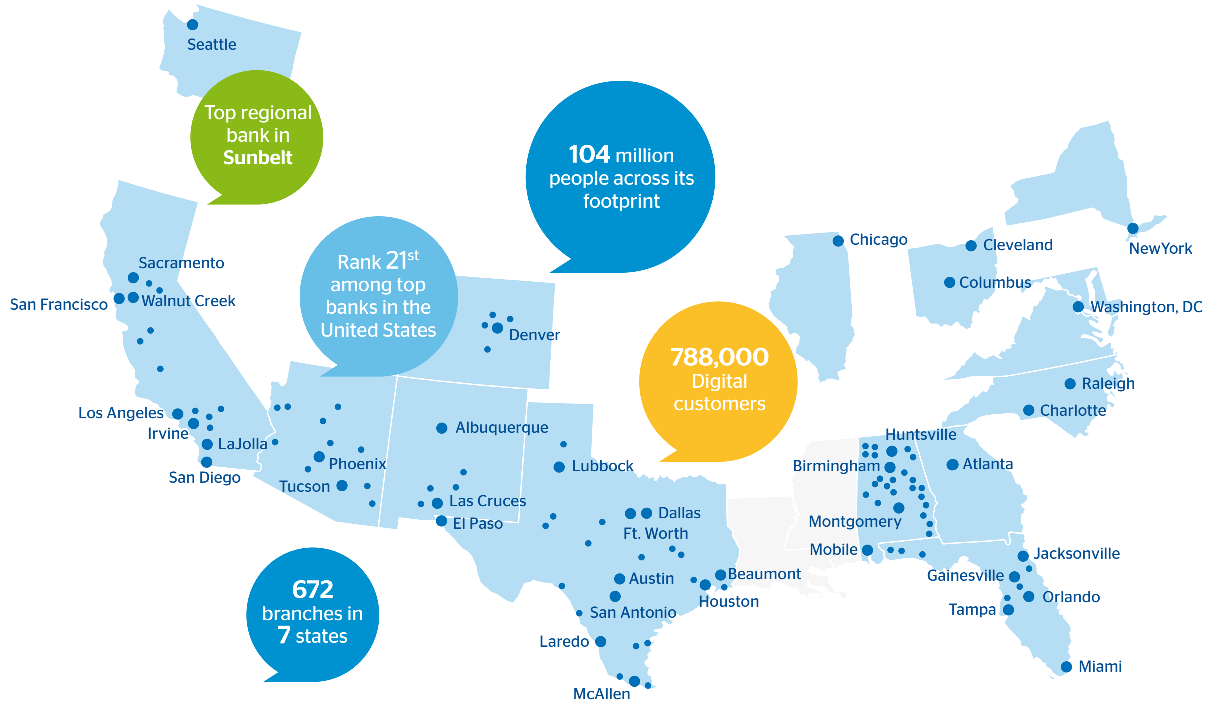
BBVA has been present since it acquired a 25.01% stake in Turkiye Garanti Bankasi, A.S. in 2011. Having increased its stake at the end of 2014 with the announcement of the acquisition agreement of an additional 14.89%, BBVA will own, after obtaining the necessary authorizations, a 39.9% stake in what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

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

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

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

Today, BBVA Compass is an excellent franchise

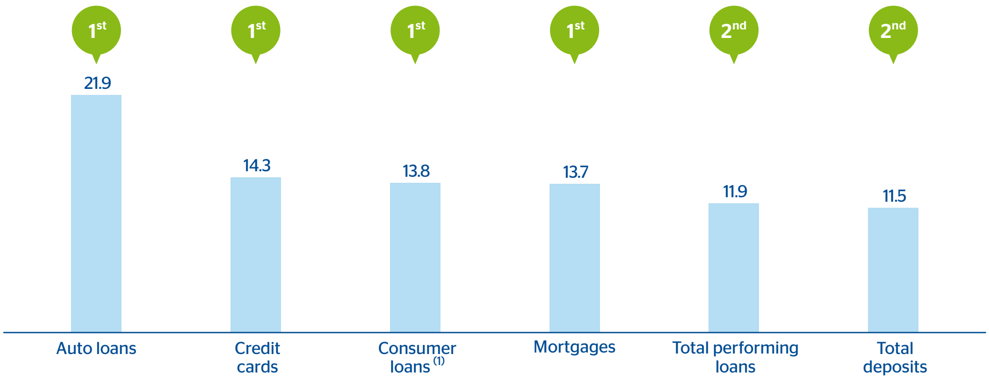


Strong position in Texas: one of the most dynamic economies during the recovery

Source: data elaborated internally and from FDIC.

Garanti. Market shares by type of product

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



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

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

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

Corporate Governance System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Committees of the Board of Directors

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

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

Strategic positioning

Values and principles

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

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

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

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

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

The economic, banking and regulatory background

Global growth

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

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

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

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

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

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

Real global GDP growth and inflation in 2014

(Percentage of real growth)

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

Source: BBVA Research estimates.

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

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

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

Interest rates

(Quarterly averages)

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

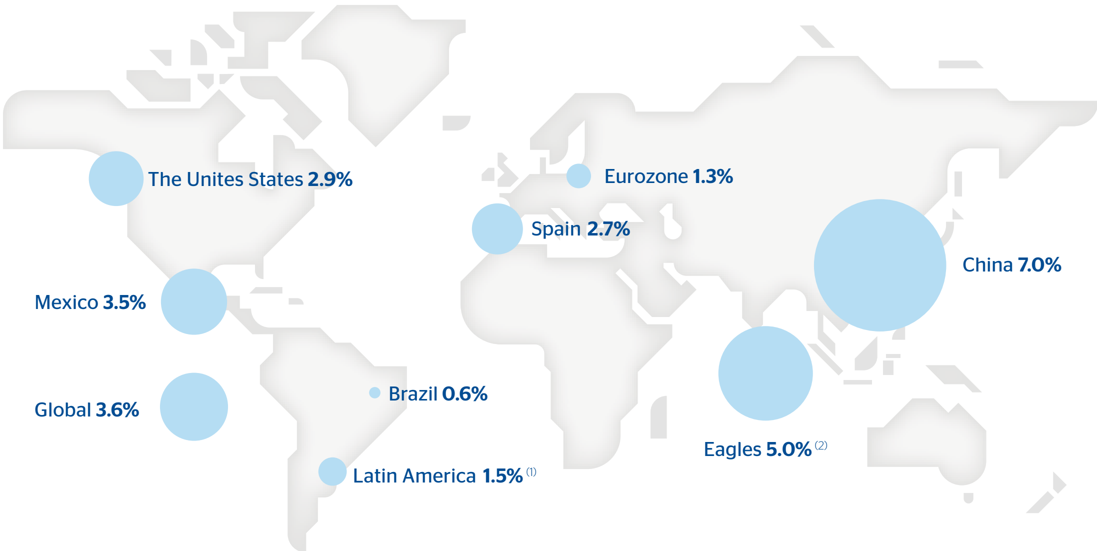
Global GDP growth of 3.6% is expected in 2015

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

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

Economic growth for 2015

(Percentage of GDP)



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

Exchange rates

(Expressed in currency/euro)

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

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

The regulatory environment in the financial industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The banking model in BBVA

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

BBVA, a banking model leveraged on four pillars

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

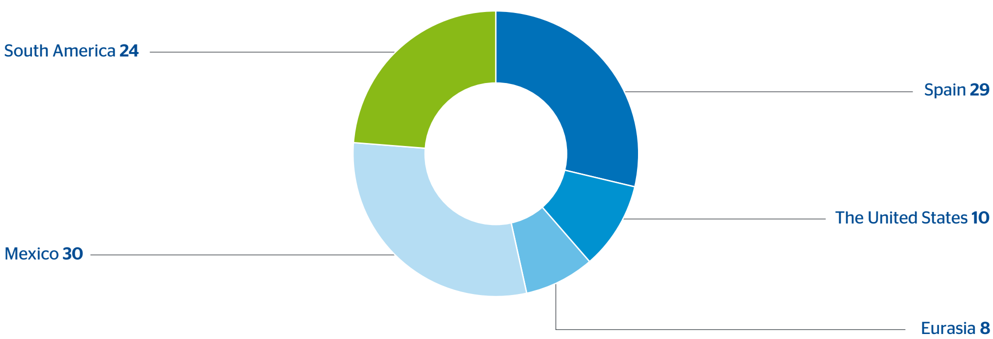
Diversification and leadership

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

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

BBVA Group. Gross income breakdown by geographical areas (1)

(Percentage)



(1) Excluding Corporate Center.

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

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

BBVA Group. Market shares and ranking by geographical areas

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

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

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

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

A very clear strategic roadmap

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

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

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

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

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

Prudent and proactive management

A management model based on prudence and anticipation

BBVA has a management model based on prudence and anticipation.

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

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

A management model based on prudence and anticipation...

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

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

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

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

...which results in:

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

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

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

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

* Excludes Corporate Center.

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

BBVA easily passes the ECB's comprehensive assessment

CET1 fully-loaded
2016 adverse scenario

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

Resilience
CET1 2016 adverse *versus* 2016 base

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

Profit generation
Cumulative 2014-2016 in adverse scenario

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

Excess NPL coverage
AQR total exposure

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

Leverage ratio
2013 phased-in

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

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

Return adjusted to principles

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

Integrity	Prudence	Transparency

- Regulatory compliance
- Corporate governance
- Responsible Business Plan

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

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

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

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

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

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

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

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

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

A customer-centric approach

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

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

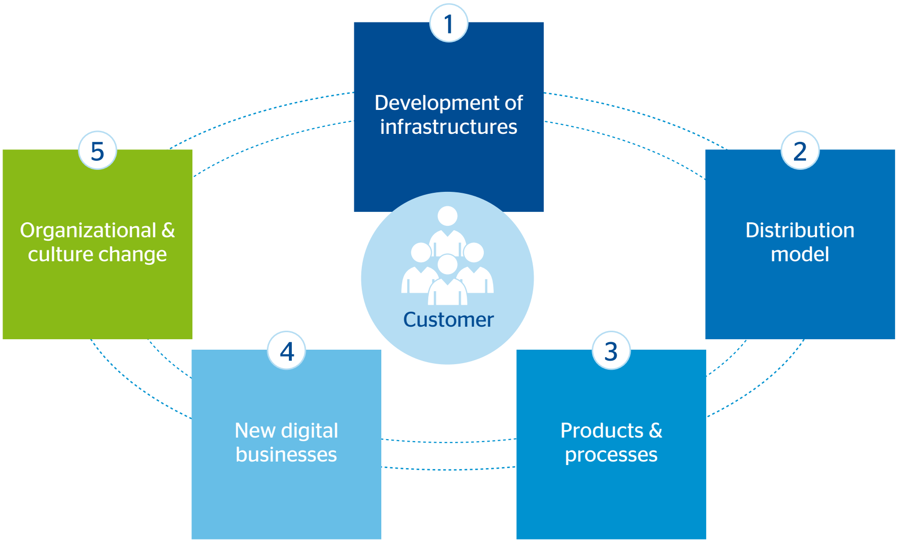
Transforming from and for customer

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

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

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

The five basic elements for addressing the transformation process in BBVA



Developing new technological infrastructures

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

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

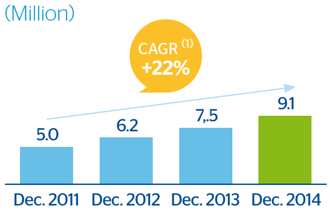
Evolution of the distribution model

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

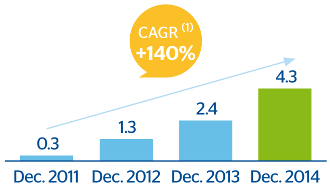
We have developed the distribution model to adapt it to the customer's multi-channel profile

New branches formats

Active digital customers
(Million)



Active mobile banking customers
(Million)



(1) Compound annual growth rate.

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

- **BBVA Contigo**, a model for alternative relations launched in Spain. It is targeted at customers who are looking for a less physical relationship with their financial services provider.
- **Banker Link**, a new drive-through banking service launched in the United States. It combines personal service from a branch manager with the self-service functionalities of an ATM.
- **BBVA Bancomer Express** in Mexico, which allows customers to make payments or cash withdrawals through the tills at some stores or service outlets.

Transforming processes and adapting the product offering

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

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

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

Boosting the development of new digital businesses

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

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

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

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

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

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

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

Developing a new corporate culture

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

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

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

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

Creation of the area

Digital Banking

Goals:

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

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

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

BBVA brand

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

Brand positioning and reputation

Positioning

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

Reputation

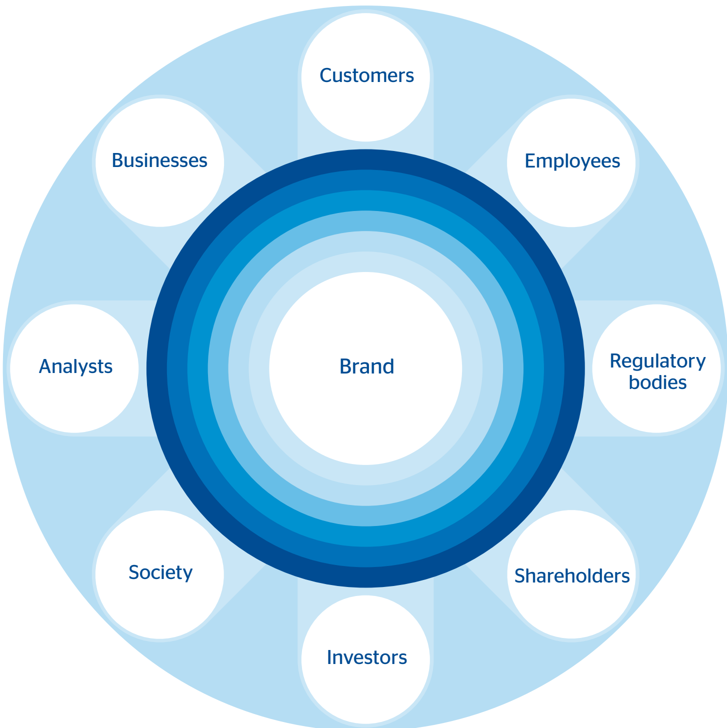
Set of perceptions that various stakeholders have about the company with which it interacts, both internally and externally.

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

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

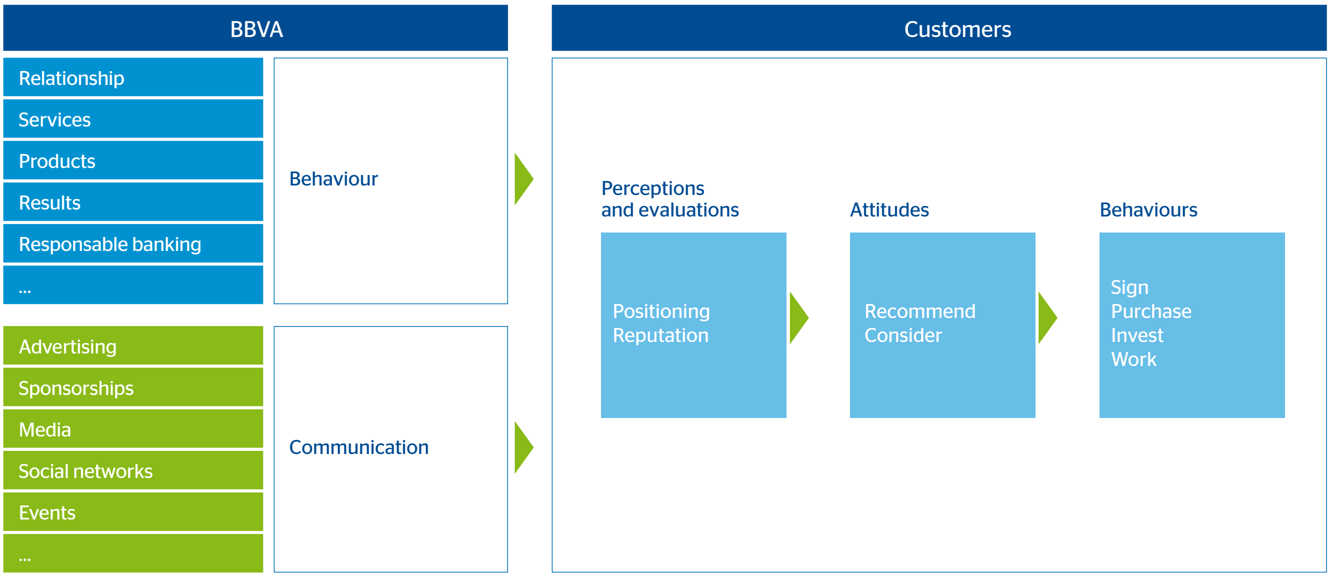
Positioning of BBVA brand: a Bank that makes life easier for its customers

Stakeholders



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

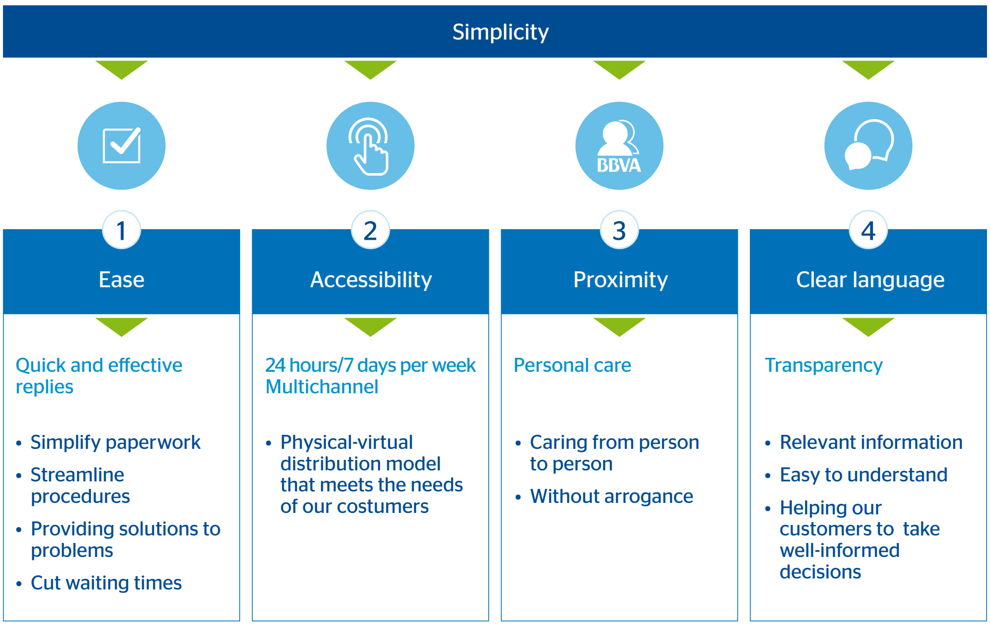
Attitudes and behaviors



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

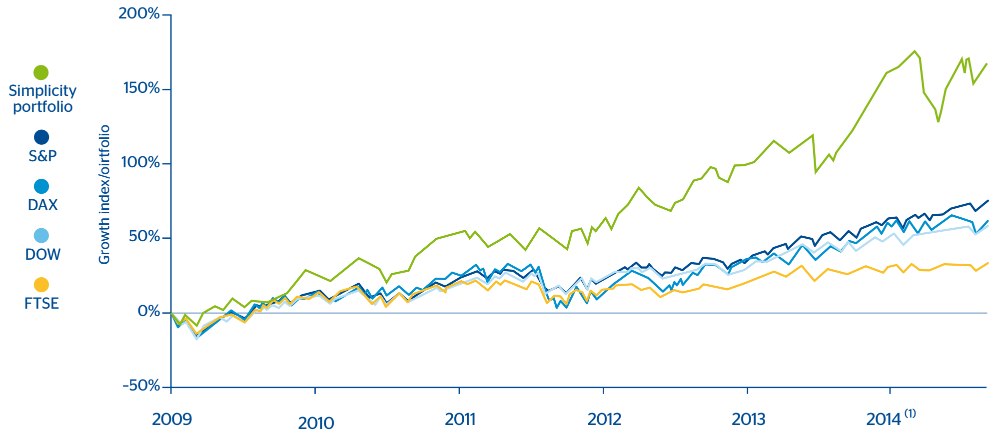
The commitment to **simplicity** is based, above all, on the core elements that play a decisive role at each point of contact with our current and potential customers: branches, remote customer services, communication, etc. These core elements are: ease, accessibility, proximity and clear language.

Simplicity



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

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



(1) Data as of September 2014.

How BBVA brand has continued to be constructed in 2014

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

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

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

BBVA brand

A single visual identity

A masterbrand

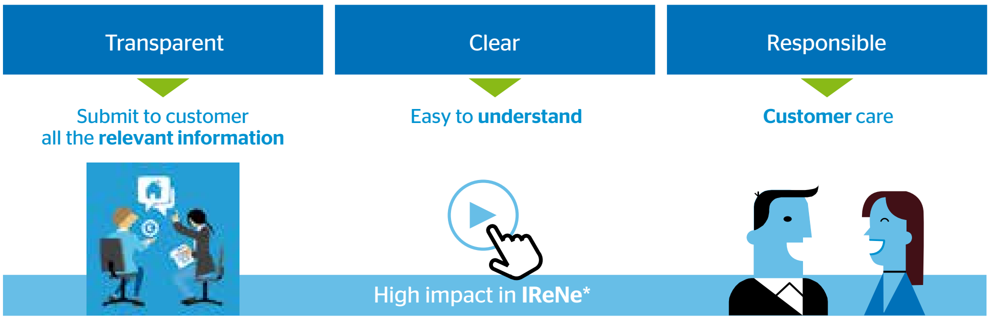
BBVA
BBVA Bancomer
BBVA Compass
BBVA Continental
BBVA Francés
BBVA Provincial

A slogan

adelante.

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

TCR Communication



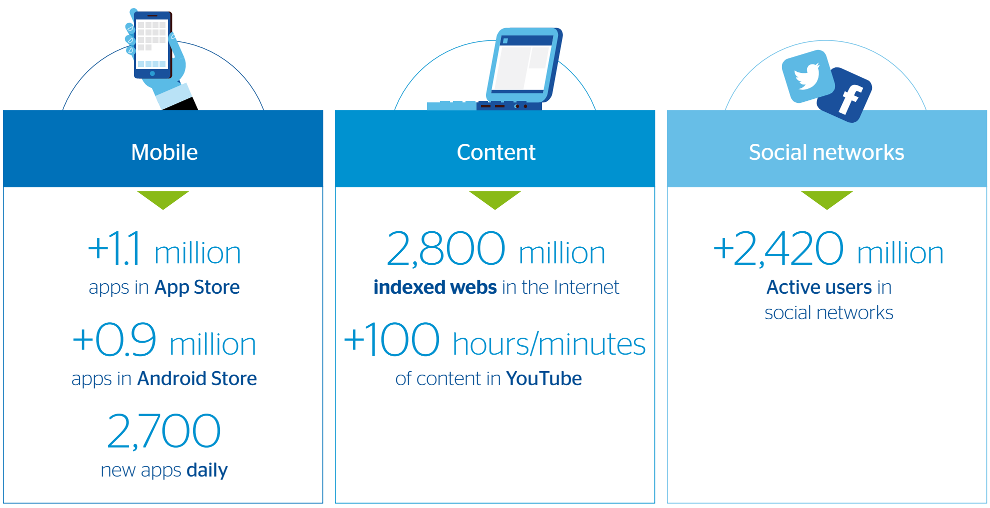
* Net recommendation indicator.

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

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

Digital world, an increasingly saturated and competitive environment

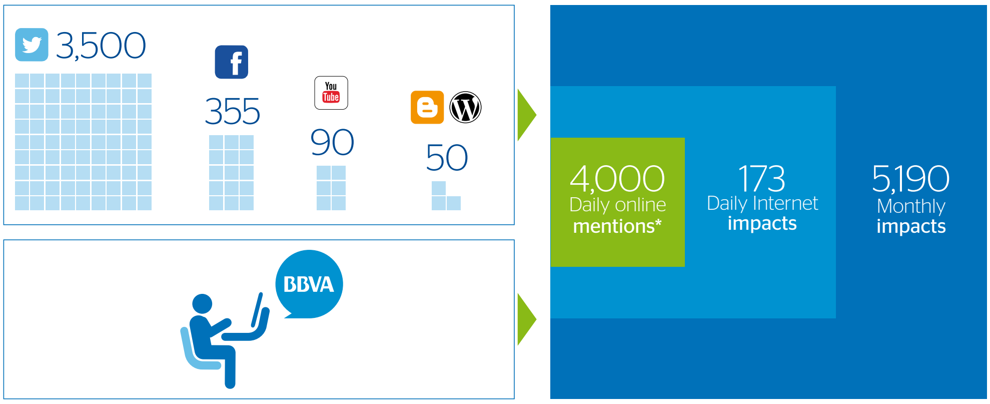
(Average figures as of June 2014)



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

BBVA continues to increase its presence in the social media

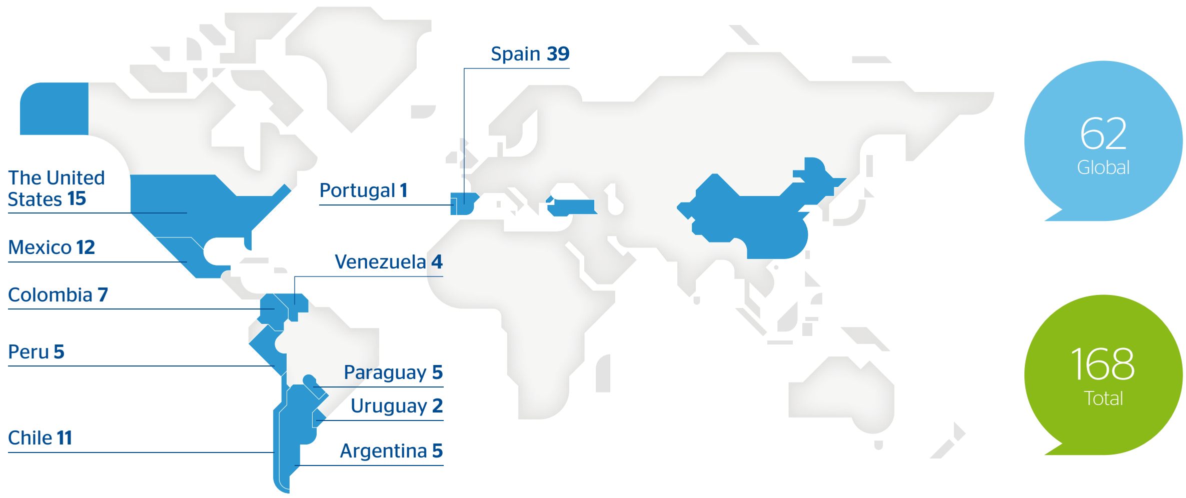
BBVA Group. Daily production in the main social media



(*) Figures of BBVA online impacts for 2014.

BBVA Group. Presence in the social media

(Profiles number as of December 2014)



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

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

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

Sponsorships in BBVA

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

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

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

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

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

The Sport Bank

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

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

1. Liga BBVA

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

2. NBA Official Bank

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

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

3. Other sponsorships

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

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

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

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

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

Education and culture

Education as a fundamental pillar of equality

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

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

1. Fundéu BBVA

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

2. Ruta BBVA

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

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

Brand ambassadors

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

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

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

Primary stakeholders

Tools for communication and dialog with stakeholders

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

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

Customers and society

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

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

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

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

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

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

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

Employees

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

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

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

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

Investors

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

The regulator

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

All stakeholders

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

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

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

Customers

BBVA's commitment to its customers

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

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

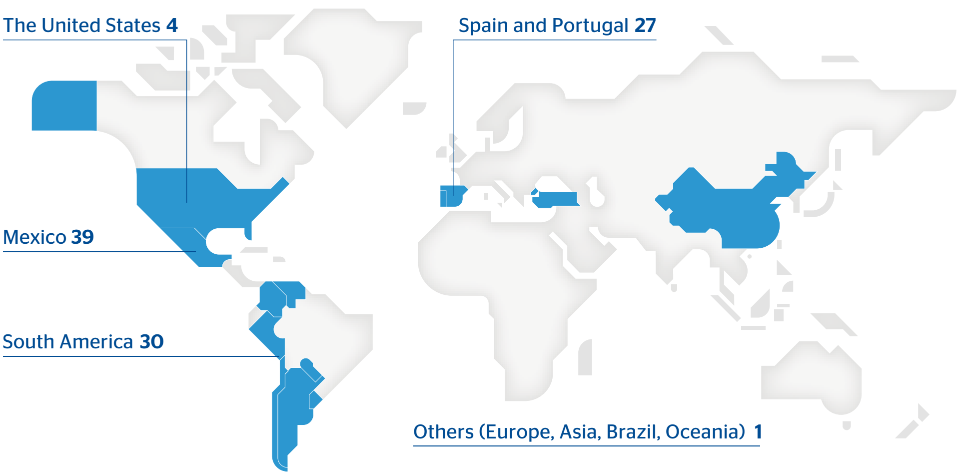
BBVA also aims to continue to be a **leading Bank in the future**. We aspire to offer the best experience for our customers across all the channels and become a model Entity in terms of customer satisfaction in all the geographical areas where we serve them.

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

Breakdown of customer numbers

(31-12-2014. Percentage)

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



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

Customer quality and experience

1. Customer insight

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

We aim to be the most recommended Bank by our customers

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

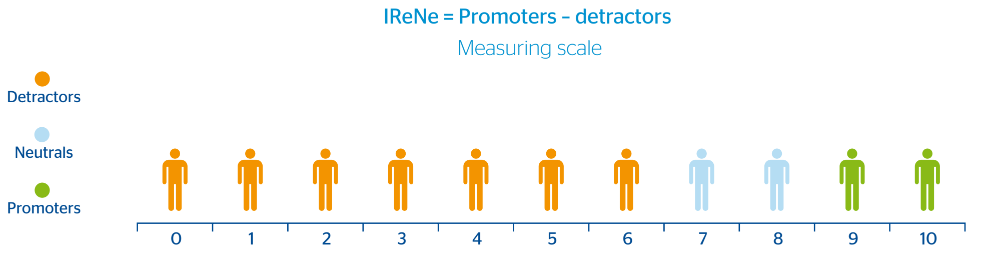
Customer experience and quality are the key differentiating levers in the new competitive environment

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

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

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

IReNe methodology



The IReNe indicator by country

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

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

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

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

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

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

2. Customers as a driver for transformation

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

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

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

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

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

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

Quality Initiatives in 2014

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

3. Success cases

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

- BBVA Chile has achieved leadership within its peer group, and the second position in the industry in satisfaction in mobile banking, according to a Servitest study.

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

Digital strategy

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

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

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

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

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

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

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

Complaints and claims management

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

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

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

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

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

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

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

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

Average resolution times

(Number of calendar days)

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

General note: average time in calendar days.

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

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

Claims resolved in First Contact Resolution (FCR) in 2014

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

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

Number of cases before banking authority

(For each €1,000m of activity)

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

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

Transparent, Clear and Responsible Communication

As clear as water
What is TCR Communication?

Transparent

Clear

Responsible

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

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

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

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

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

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

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

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

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

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

Literacy

Literacy aims to help customers make informed financial decisions

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

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

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

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

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

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

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

Shareholders

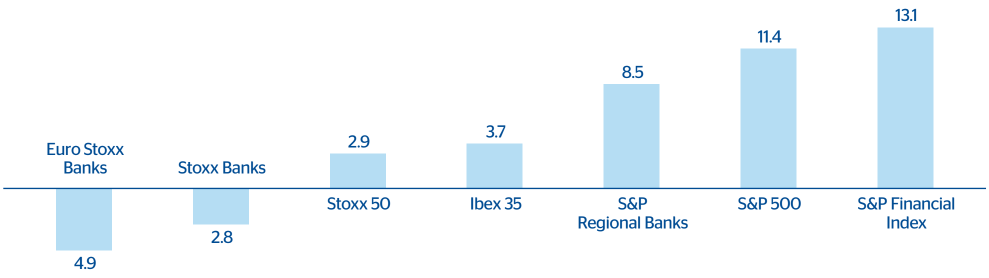
In 2014, the global economy recovered, but with a diverged behavior among geographical areas: sustained improvements in the United States, reduced growth in Europe and Japan and moderation in China and other large emerging economies. The above has had an impact on **stock market indices**. The performance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

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

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

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

(Percentage)



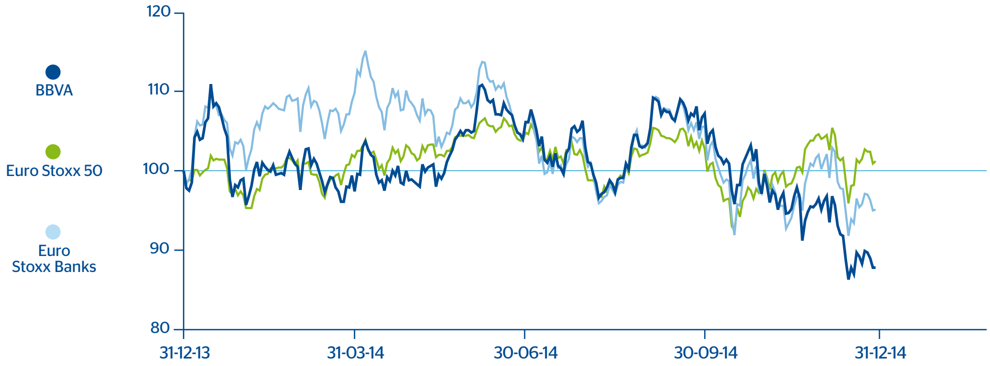
Of note with respect to the Group's situation at the close of **2014** is its sound capital and balance sheet position, which has been confirmed by the results of the comprehensive assessment of the European banking sector conducted by the ECB. BBVA's proven capacity to generate earnings and the quality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

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

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

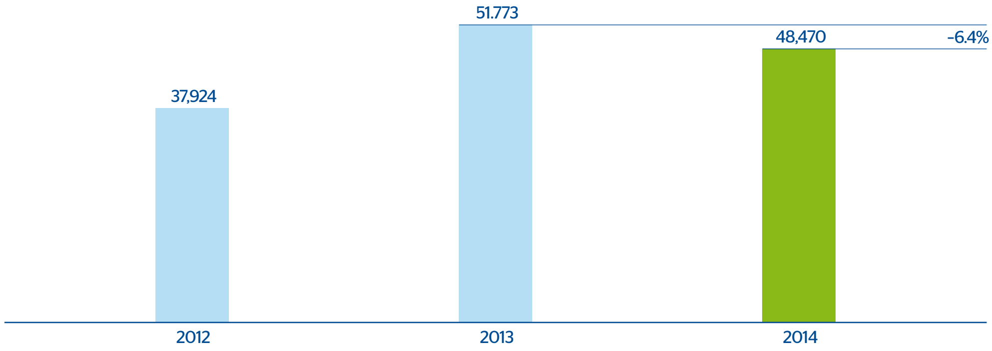
Share price index

(31-12-2013=100)



BBVA's market capitalization

(Million euros)



The BBVA share and share performance ratios

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

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

BBVA's shareholder remuneration remains attractive

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

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

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

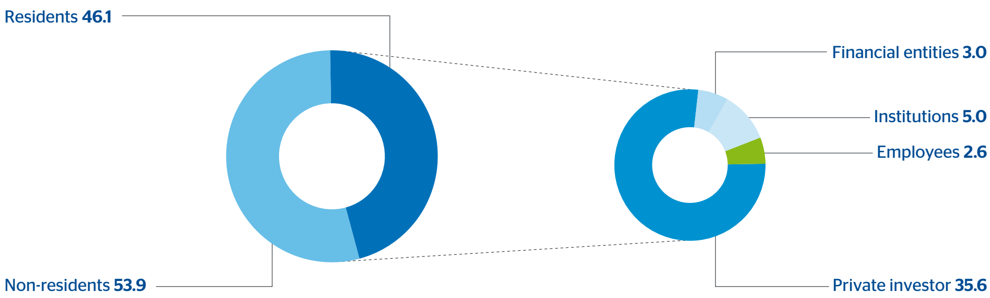
BBVA Group. Shareholder structure
(31-12-2014)

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

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

BBVA Group. Shareholder structure

(Percentage 31-12-2014)



High liquidity of the BBVA share

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

BBVA is listed on the main stock market and sustainability indices

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

Main sustainability indices with BBVA presence

(Data as of 31-12-2014)

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

The team

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

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

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

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

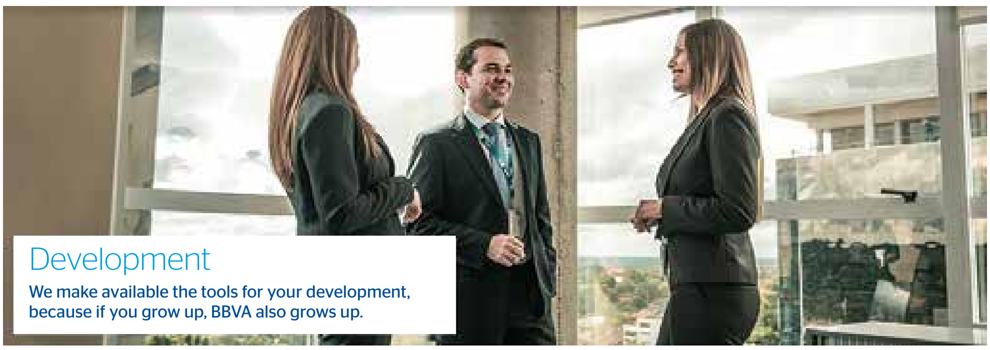
Tú&BBVA

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

Tú&BBVA crecemos juntos

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

Development



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

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

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

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

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

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

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

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

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

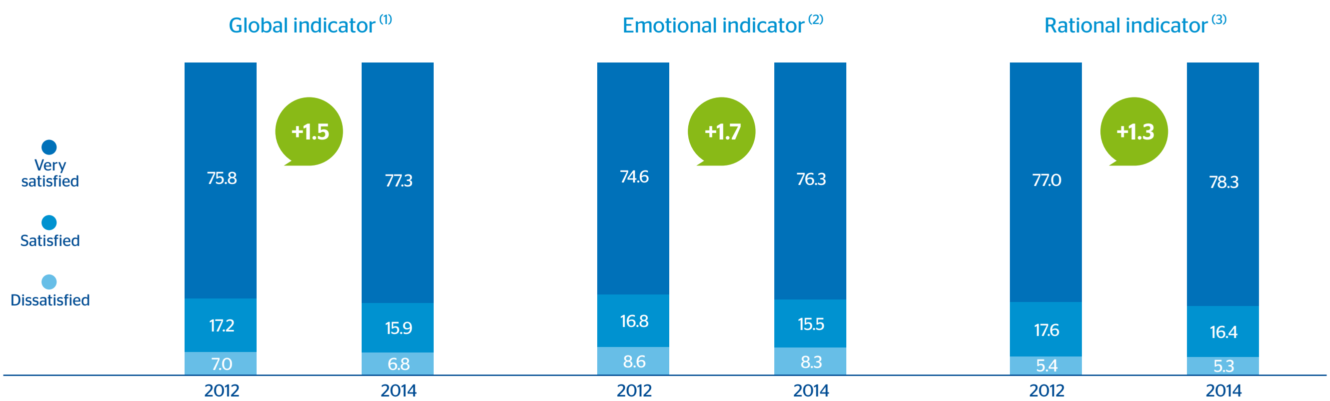
Quality employment

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

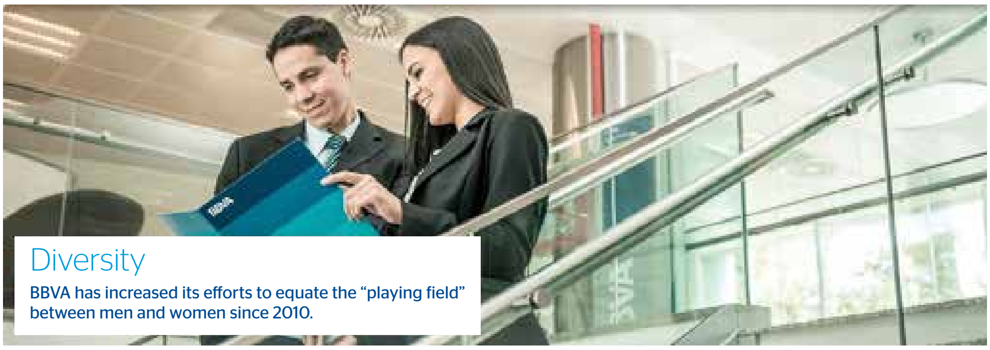
The **Satisfaction Survey** was launched in the last quarter of the year to discover the opinion of our professionals, their concerns and the areas for improvement on which we consider we should work in the future. The results show a rise of 1.5 points in the global satisfaction index with respect to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

Overall employee satisfaction index

(Percentage)



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



Diversity

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

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

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

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

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

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

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

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

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

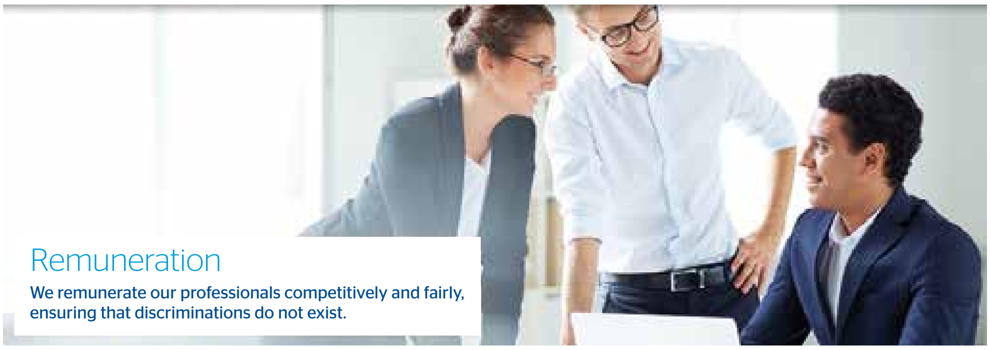
Lastly, within the area of **health**, the BeWell digital space has been introduced to publicize all BBVA's programs designed to improve the quality of life of its professionals and their families.

B-Well

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

Health and well-being
Care yourself more

Results-driven mindset



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

BBVA attitude

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

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

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

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

Society

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

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

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

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

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

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

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

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

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

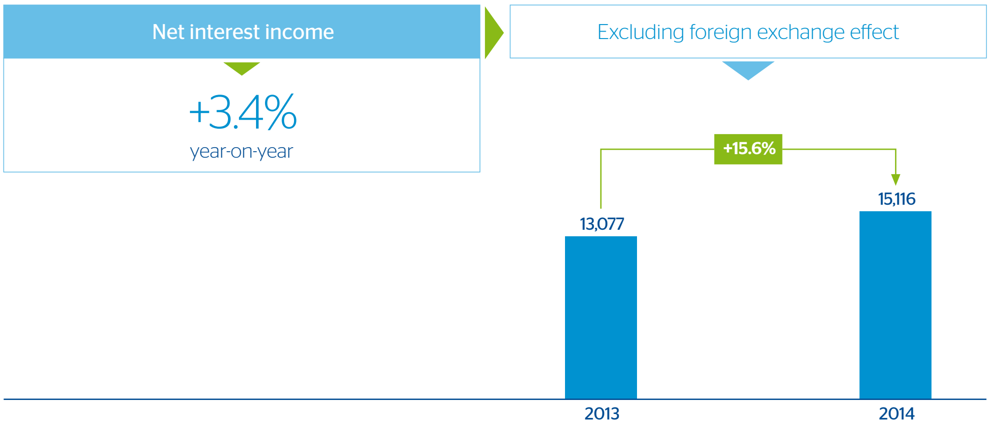
Performance in 2014

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

2014: a good year

BBVA Group. Net interest income evolution

(Million euros)

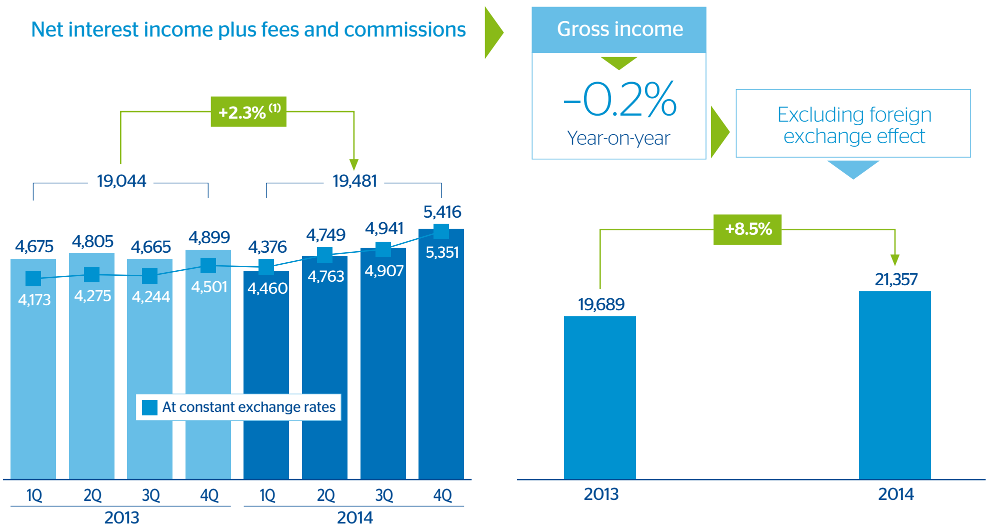


Strong growth in net interest income

Upward trend in recurring revenue

BBVA Group. Net interest income plus fees and commissions evolution

(Million euros)



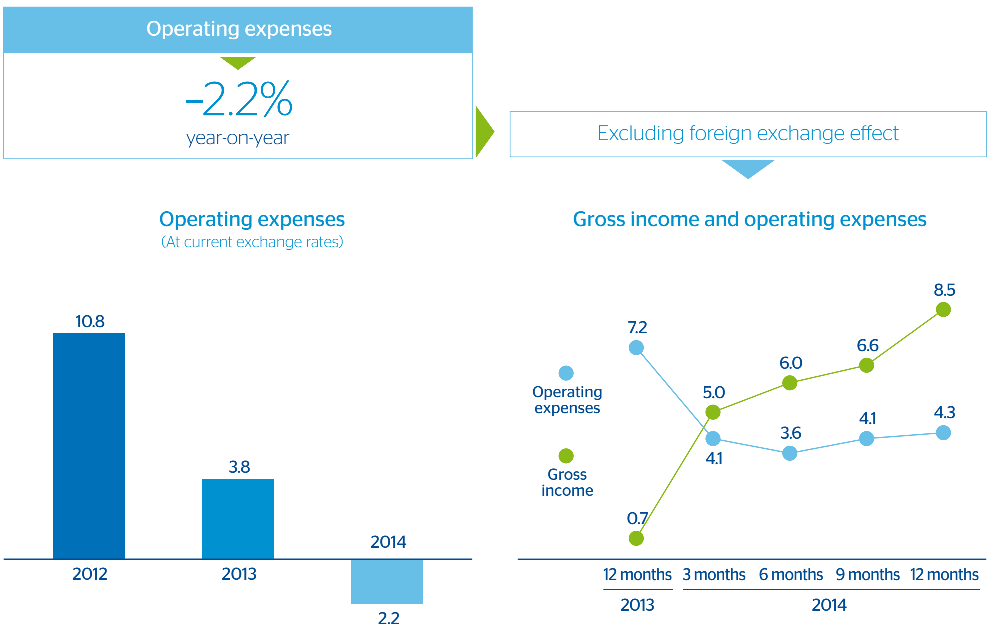
(1) At constant exchange rates: +13.3%.

Lower NTI contribution

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

BBVA Group. Operating expenses compared to gross income evolution

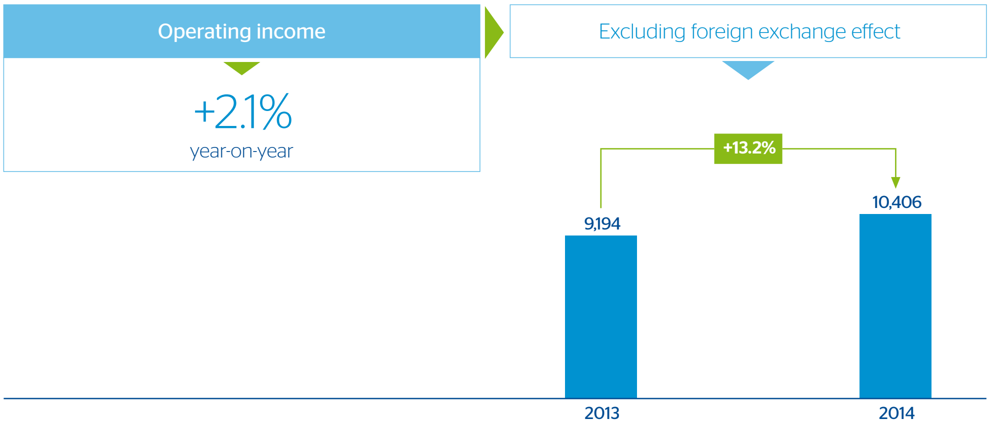
(Year-on-year changes, percentage)



Excellent cost management | Achieving annual savings: 340 million euros (Spain and Corporate Center)

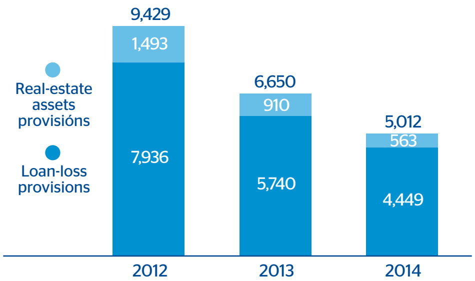
BBVA Group. Operating income evolution

(Million euros)

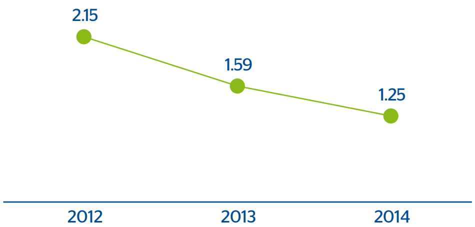


Strong and resilient operating income

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



BBVA Group. Accumulated cost of risk (Percentage)



Earnings main growth driver

Reduction of loan-loss and real-estate provisions

BBVA Group. Income statement

(Million euros)

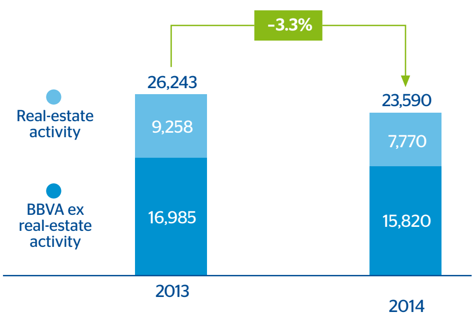
	Acumulated	Year-on-year change 2014-2013		
	2014	Absolute	∆% at current exchange rates	∆% at constant exchange rates
Net interest income	15,116	503	3.4	15.6
Gross income	21,357	(40)	(0.2)	8.5
Operating income	10,406	210	2.1	13.2
Income before tax	4,063	1,312	47.7	97.9
Net income from ongoing operations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

In short, growth across all the items in the account

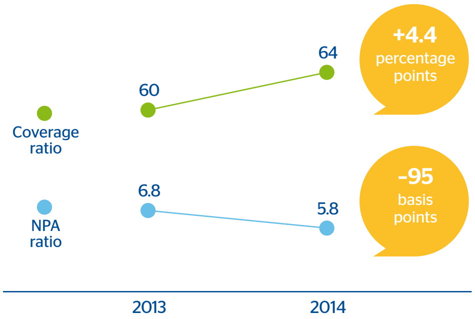
Asset quality improvement

Risk indicators show a positive trend

Non-performing assets
(Million euros)



Coverage and NPA ratios
(Percentage)



Good capital position

Sound and solid regulatory ratios

BBVA easily passes the ECB's comprehensive assessment

CET1 fully-loaded
2016 adverse scenario

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

Resilience
CET1 2016 adverse *versus* 2016 base

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

Profit generation
Cumulative 2014-2016 in adverse scenario

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

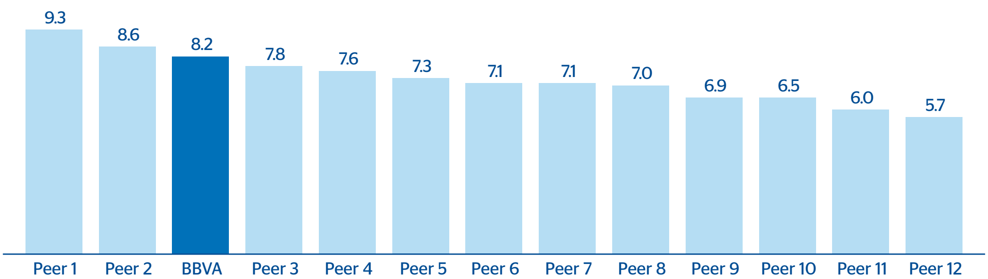
Excess NPL coverage
AQR total exposure

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

Leverage ratio
2013 phased-in

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

CET1 fully-loaded 2016 adverse escenario
(Percentage)



A shared regulatory framework

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

BBVA Group. Regulatory ratios

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

Several issues carried out successfully

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

Active management to fund future growth

Relevant events

2014: a good year

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

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

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

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

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

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

Earnings

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated income statement [1]

(Million euros)

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

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

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

Consolidated income statement: quarterly evolution (1)

(Million euros)

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

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

income statement, the messages remain the same:

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

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

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

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

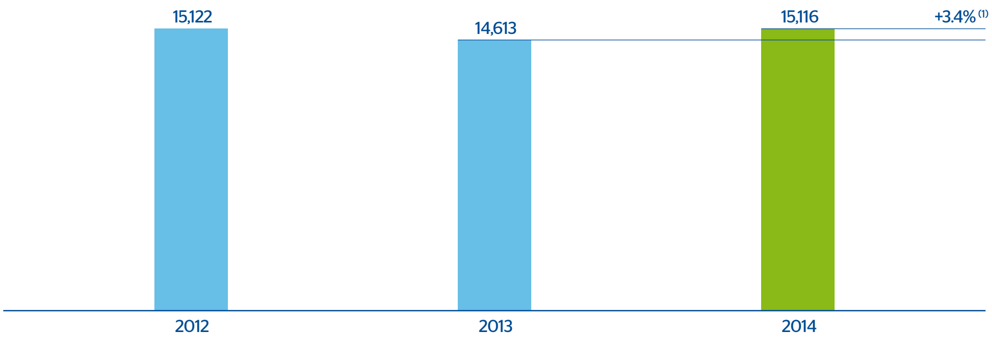
Gross income

Strong growth in net interest income

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

BBVA Group. Net interest income

(Million euros)



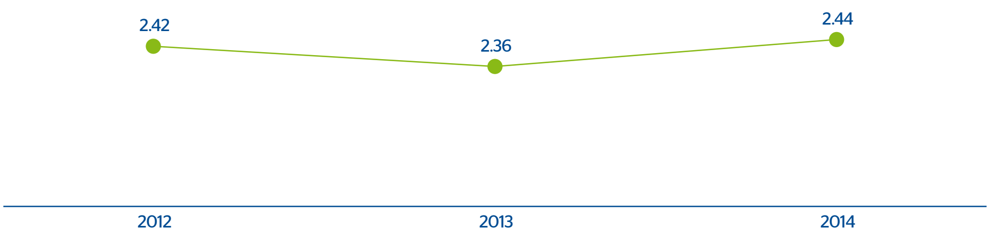
(1) At constant exchange rates : +15.6%.

Breakdown of yields and costs

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

BBVA Group. Net interest income/ATA

(Percentage)



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

Net fees and commissions

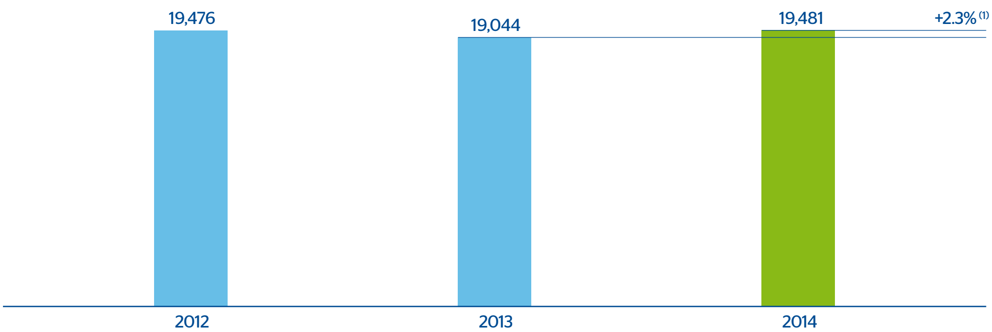
(Million euros)

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

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

BBVA Group. Net interest income plus fees and commissions

(Million euros)



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

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

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

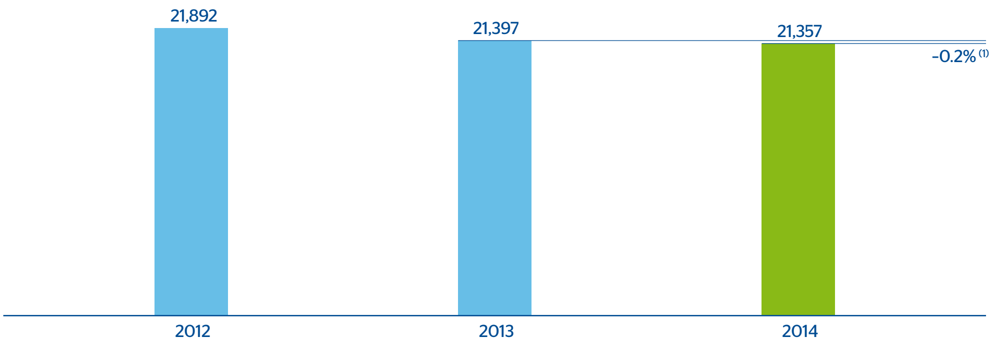
Income by the equity method basically includes income from the Group's stake in the Chinese entity CIFH until the month of November.

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

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

BBVA Group. Gross income

(Million euros)



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

Operating income

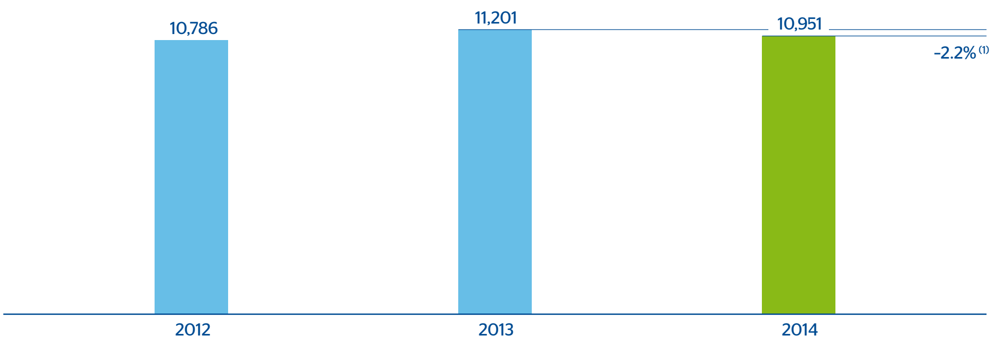
Operating expenses for 2014 stand at €10,951m, 2.2% below the figure for 2013 (although up 4.3% at constant exchange rates), despite the effect of high inflation in some countries (Venezuela and Argentina) and the digital transformation plans being implemented by the Group. This trend is the result of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

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

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

BBVA Group. Operating expenses

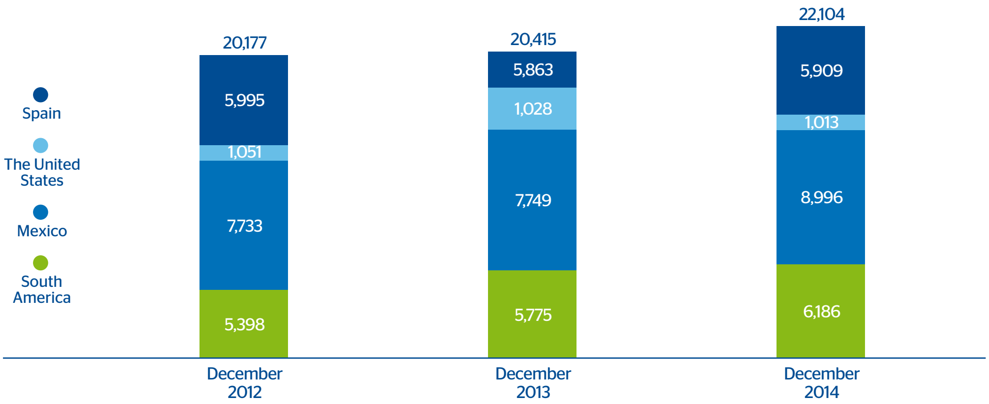
(Million euros)



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

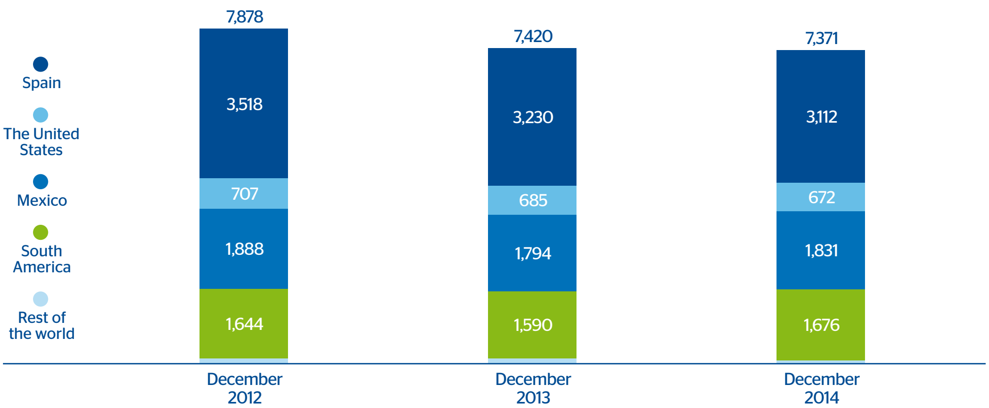
The number of **ATMs** continues to grow in practically all the geographical areas. In contrast, the number of **branch offices** has fallen, as a result of the boost to alternative channels.

BBVA Group. Number of ATMs (1)



(1) Excluding Garanti.

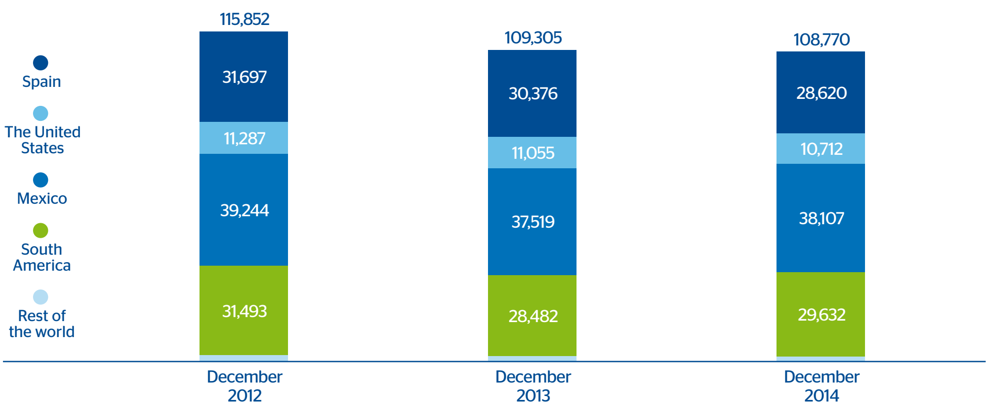
BBVA Group. Number of branches (1)



(1) Excluding Garanti.

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

BBVA Group. Number of employees (1)



(1) Excluding Garanti.

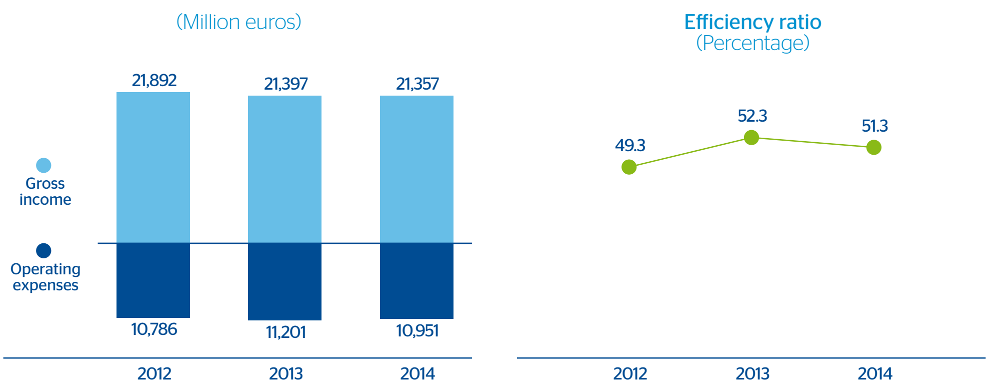
For 2014 as a whole, the year-on-year increase in expenses (at constant exchange rates) has been below that of gross income (also at constant exchange rates), thus improving the efficiency ratio to 51.3% from the figure of 52.3% in 2013, and boosting **operating income** to €10,406m, a year-on-year increase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

Breakdown of operating expenses and efficiency calculation

(Million euros)

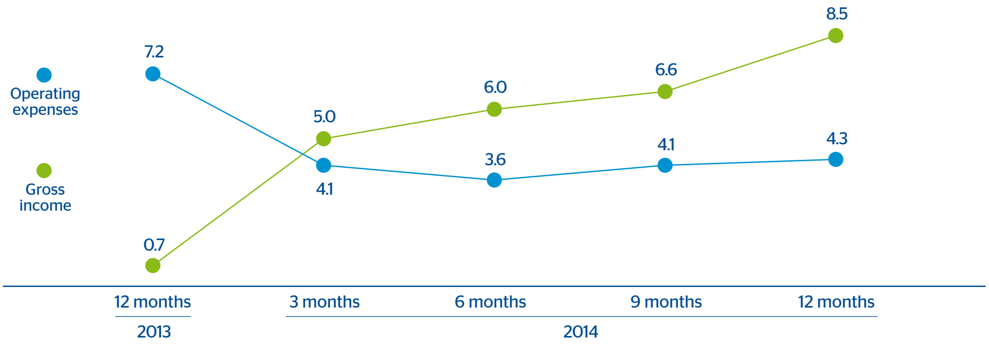
	2014	∆%	2013	2012
Personnel expenses	**5,609**	**(3.1)**	**5,788**	**5,662**
Wages and salaries	4,268	(2.8)	4,392	4,348
Employee welfare expenses	826	(4.6)	866	819
Training expenses and other	515	(2.7)	530	495
General and administrative expenses	**4,161**	**(2.8)**	**4,280**	**4,106**
Premises	963	(0.4)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

BBVA Group. Efficiency



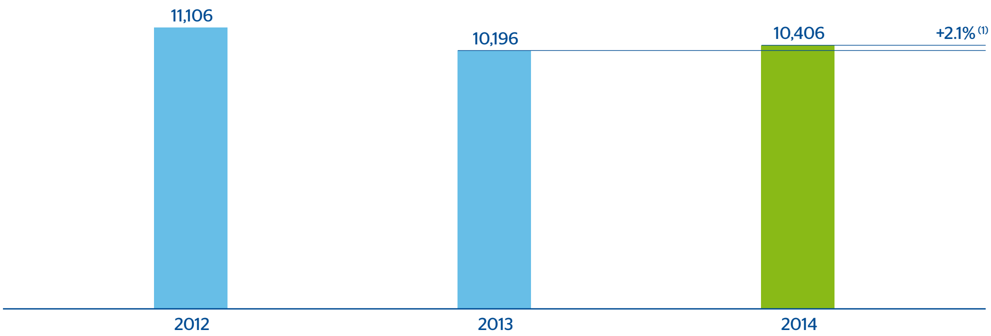
BBVA Group. Gross income and operating expenses

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



BBVA Group. Operating income

(Million euros)



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

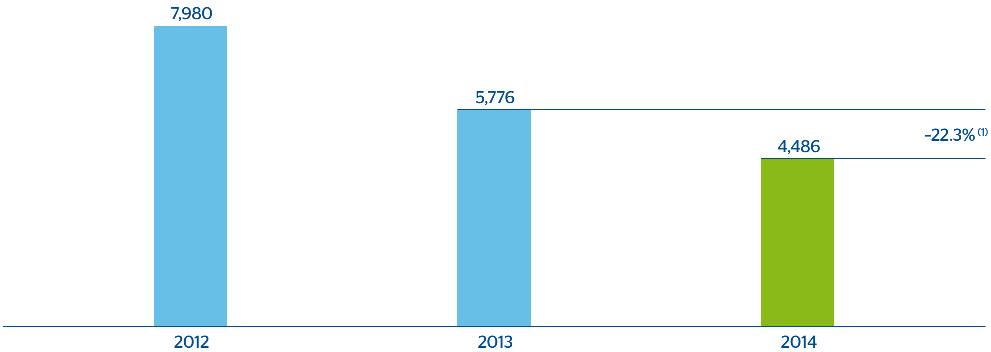
Provisions and others

Reduction in loan-loss and real-estate provisions

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

BBVA Group. Impairment losses on financial assets

(Million euros)



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

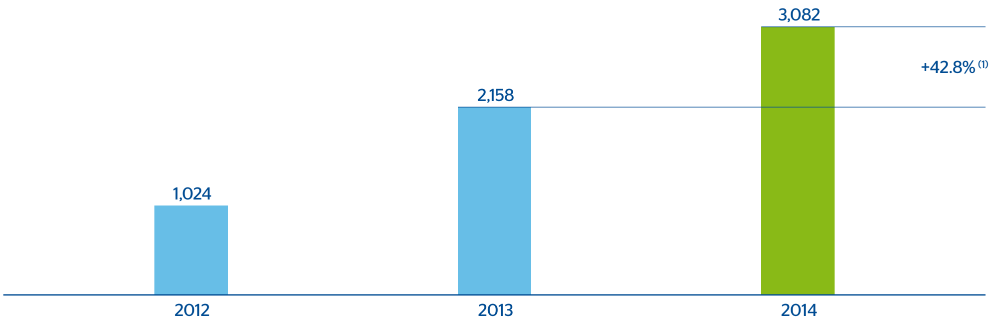
Provisions include items such as restructuring costs, provisions for contingent liabilities and contributions to pension funds. In 2014, this heading includes a greater volume of restructuring costs associated with the digitization and transformation process underway in the Group, in line with what has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

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

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

BBVA Group. Net income from ongoing operations

(Million euros)



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

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

Net attributable profit

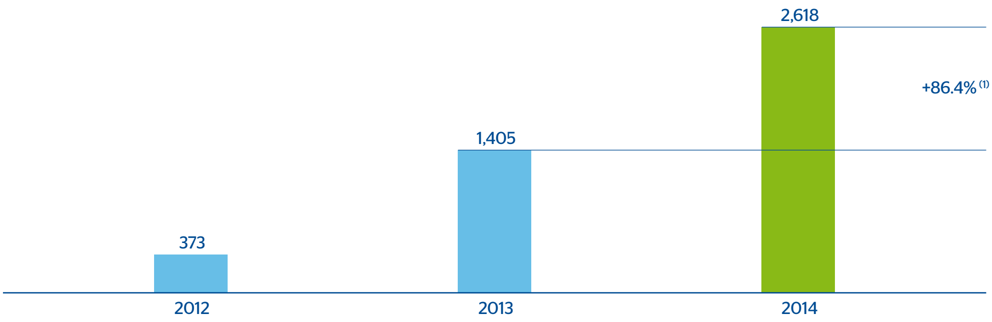
BBVA's **net attributable profit** in 2014 stands at €2,618m, up 17.5% on the figure for 2013 (up 42.5% at constant exchange rates), despite the fact that in 2013 earnings for an amount of €823m were registered from the corporate operations mentioned in the above paragraph.

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

In short, growth across all the items in the account

BBVA Group. Net attributable profit

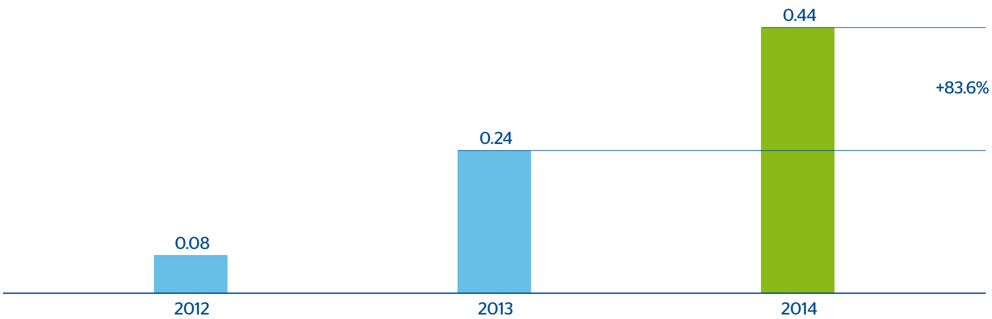
(Excluding results from corporate operations. Million euros)



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

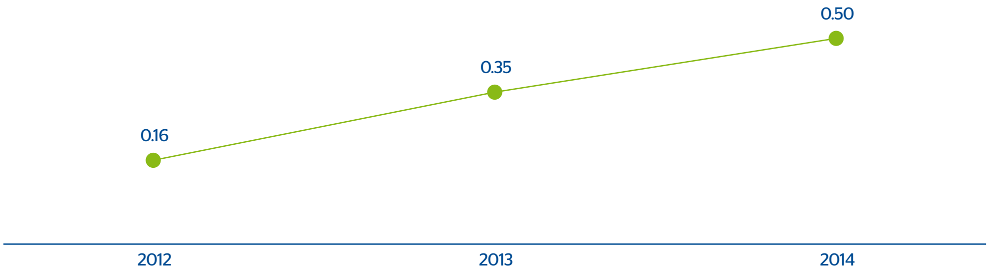
BBVA Group. Earnings per share

(Excluding results from corporate operations. Euros)



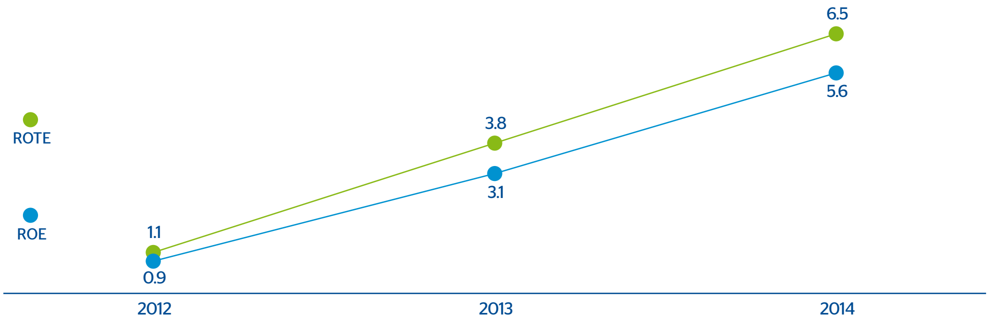
BBVA Group. ROA

(Excluding results from corporate operations. Percentage)



BBVA Group. ROE and ROTE

(Excluding results from corporate operations. Percentage)



Balance sheet and business activity

Consolidated balance sheet [(1)]

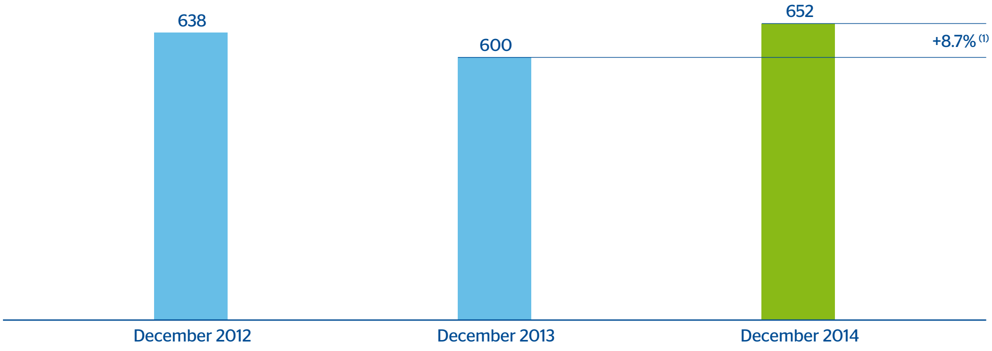
(Million euros)

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

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

BBVA Group. Total assets

(Billion euros)



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

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

- Growth in **loans and advances to customers (gross)**. As regards performance by areas, the deleveraging process has slowed in Spain, thanks to the recovery of the production of new loans, while in the United States, Mexico, Turkey and South America the loan book has grown at double-digit year-on-year growth rates.

- **Non-performing loans** have fallen since the close of 2013, influenced by the decline in new additions to NPA, above all in Spain.

- The trend in **customer deposits** is positive in the non-domestic sector. In the domestic sector it is down in the public-sector segment and in time deposits, as a result of the reduction in the cost of time deposits, which has led to a transfer of money to current and savings accounts and to mutual and pension funds.

- Lastly, **off-balance sheet customer funds** continue to perform very favorably.

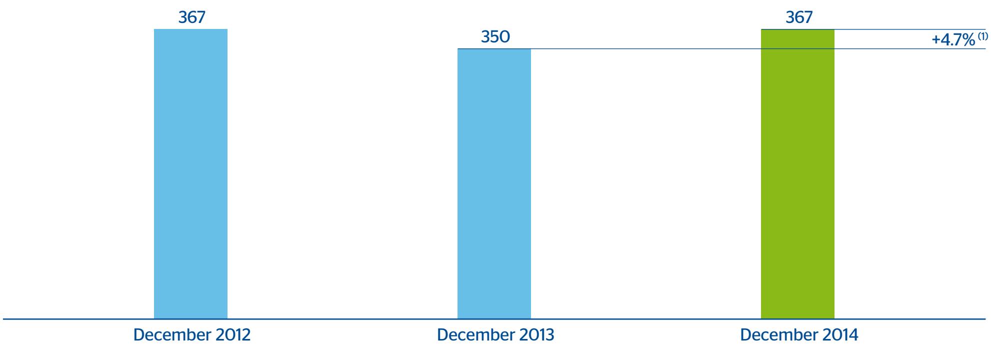
Loans and advances to customers

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

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

BBVA Group. Loans and advances to customers (gross)

(Billion euros)



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

Loans and advances to customers

(Million euros)

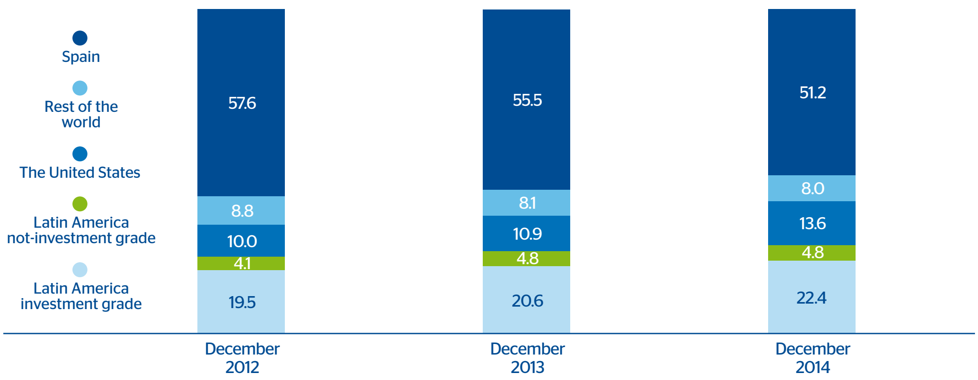
	31-12-14	∆%	31-12-13	31-12-12
Domestic sector	**162,652**	**(3.0)**	**167,670**	**190,817**
Public sector	23,362	5.6	22,128	25,399
Other domestic sectors	139,290	(4.3)	145,542	165,417
Secured loans	87,371	(6.5)	93,446	105,664
Other loans	51,920	(0.3)	52,095	59,753
Non-domestic sector	**180,719**	**15.4**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

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

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

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

(Percentage)



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

Customer funds

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

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

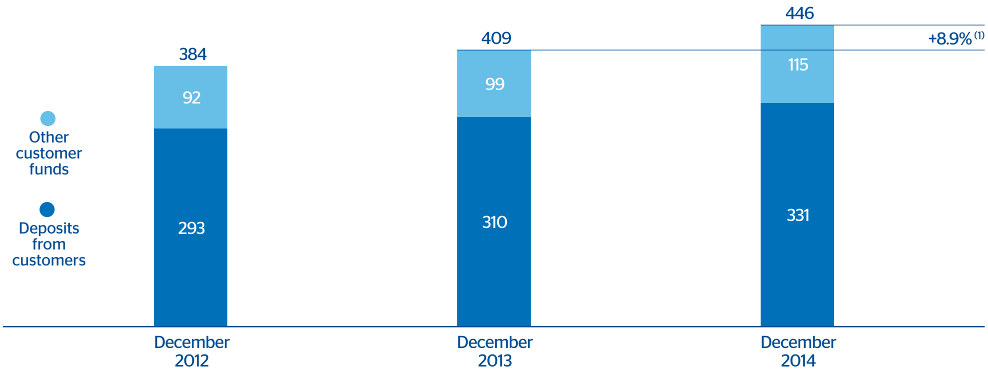
Customer funds

(Million euros)

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

BBVA Group. Customer funds

(Billion euros)



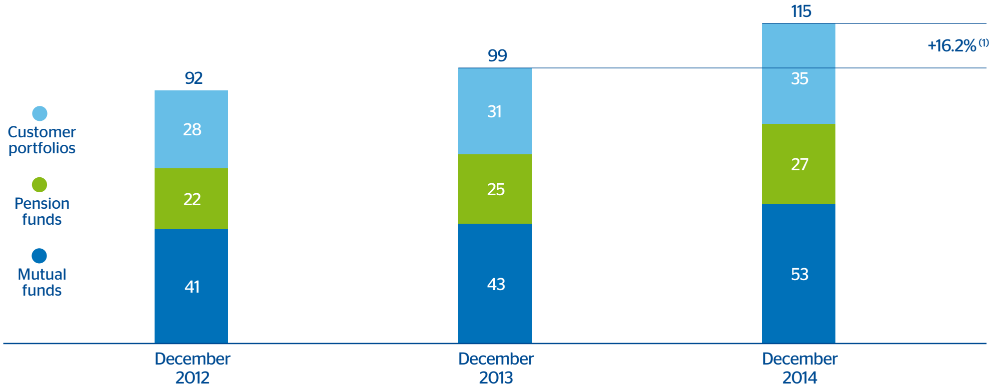
(1) At constant exchange rates: +9.3%.

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

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

BBVA Group. Other customer funds

(Billion euros)



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

Other balance sheet headings

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

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

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

Solvency

Capital base

Good capital position. Sound and solid regulatory ratios

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

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

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

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

Active capital management to fund future growth

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

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

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

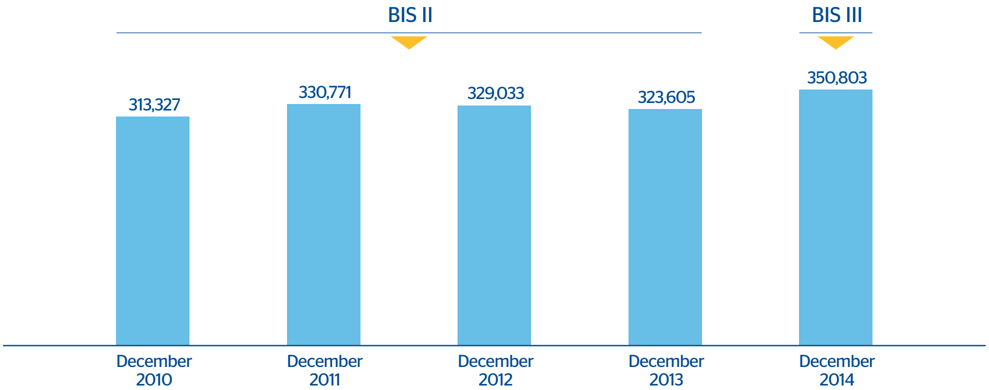
As a result of what has been mentioned above, the phased-in **BIS III** ratio closed the year at 15.1% and the fully-loaded ratio at 14.2%, both well above current regulatory requirements (8.0%).

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

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

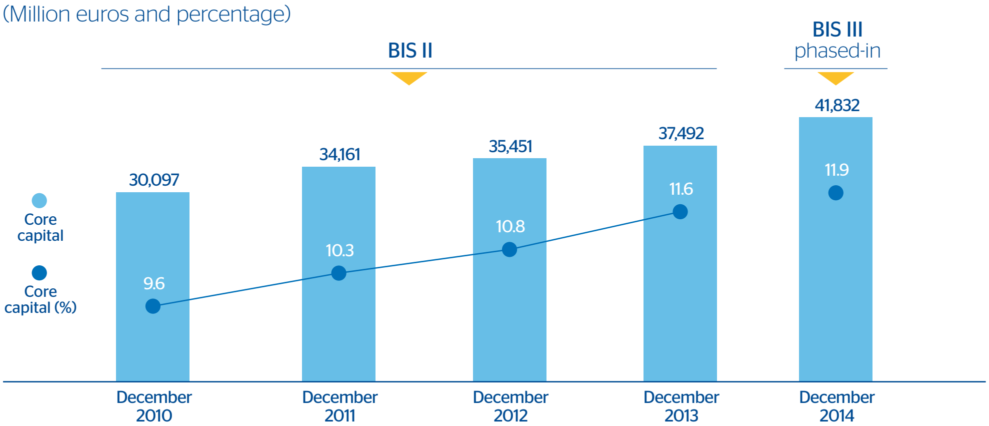
BBVA Group. RWA evolution

(Million euros)



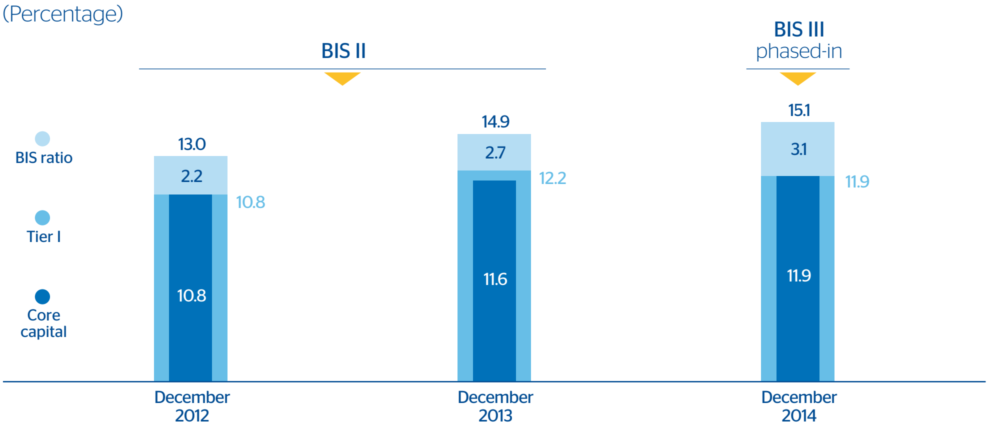
BBVA Group. Core capital evolution

(Million euros and percentage)



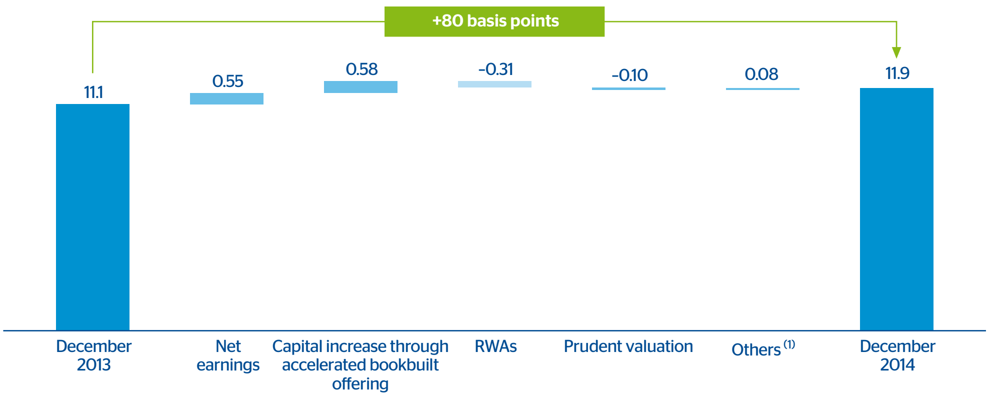
BBVA Group. Capital Base

(Percentage)



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

(Percentage)



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

Capital base (BIS II Regulation)

(Million euros)

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

Ratings

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

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

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

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

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

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

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

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

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

Ratings

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

Global Risk Management

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

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

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

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

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

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

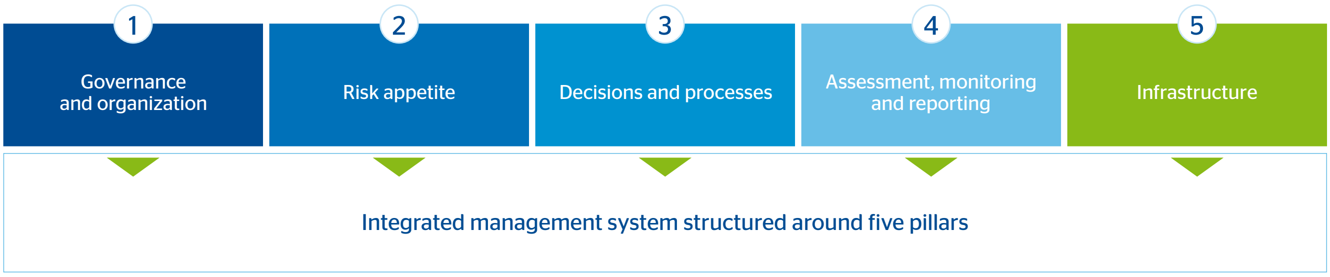
This model is applied comprehensively throughout the Group and consists of the basic elements listed below:

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

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

BBVA Group. Risks function management framework

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



Governance system and organization

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

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

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

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

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

1. Corporate governance scheme

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

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

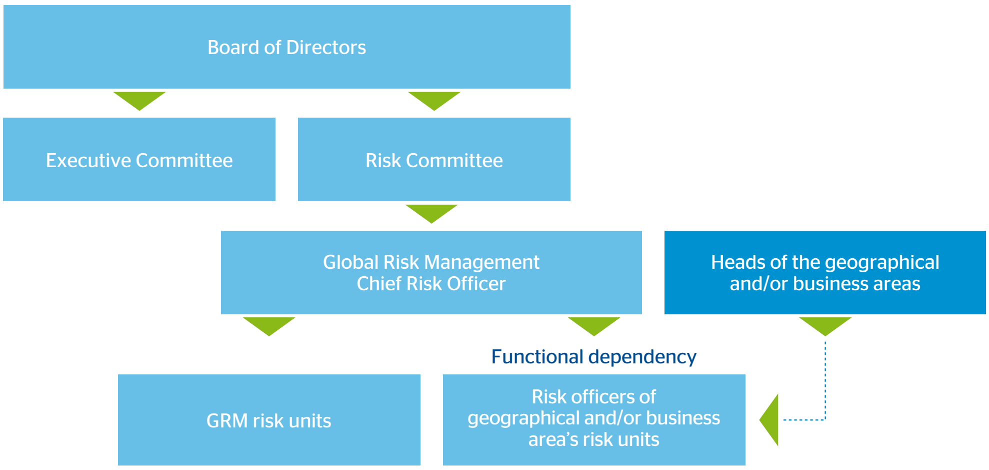
On the basis established by the Board of Directors, the **Executive Committee** (EC) approves specific corporate policies for each type of risk. It also approves and monitors the Group's risk limits, and is kept informed of any limits that have been exceeded and of any relevant corrective measures established.

Lastly, the Board of Directors has set up a Board Committee specializing in risks, the **Risk Committee**, made up entirely of non-executive directors (at least one third of whom, including its Chairman, are independent directors) and with the necessary knowledge, skills and experience. This Committee is responsible for regular analysis and monitoring of risks within the remit of the corporate bodies. It assists the Board and the Executive Committee in determining and monitoring the risk strategy and the corporate policies, respectively. It also carries out another task of special relevance which is a detailed control and monitoring of the risks that affect the Group as a whole, which enables it to supervise the effective integration of the risk strategy into management and the application of the corporate policies approved by the corporate bodies.

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

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

Corporate governance scheme and organizational structure



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

2. Organizational structure and committees

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

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

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

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

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

The risk management function has an adequate decision-making process underpinned by a **structure of committees**, where the Global Risk Management Committee (GRMC) acts as the highest executive body. It proposes, examines and, where applicable, approves, among others, the internal risk regulatory framework and the procedures and infrastructures needed to identify, assess, measure and manage the risks facing the Group in its businesses, as well as the admission of the most relevant risk operations. The members of this Committee are the Group's Chief Risk Officer and the heads of the risk units of the corporate area and of the most representative geographical and/or business areas. The GRMC relies on a number of support committees. The chart below summarizes this committee structure.

Global Risk Management Committee support committees

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

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

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

3. Internal Risk Control and Internal Validation

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

The Group has a specific **Internal Risk Control** unit whose main function is to ensure the existence of a sufficient internal regulatory framework, a process and measures defined for each type of risks identified in the Group (and for those other types of risk that may potentially affect the Group), as well as to control their application and operation, and ensure that the risk strategy is integrated into the Group's management. The Internal Risk Control unit is independent of the units that develop the risk models, manage the processes and execute the controls. Its scope of action is global both from the geographical point of view and as regards the types of risks.

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

For this purpose, the Risks area (Global Risk Management, or GRM) has a **Technical Secretariat**, also independent of the units that develop the risk models, manage the processes and execute the controls, which provides RC with the necessary technical support to better perform its functions. To carry out its function, the unit has a structure of teams at both corporate level and in the most relevant geographical areas in which the Group operates. As in the case of the corporate area, local units are independent of the business areas that execute the processes, and of the units that execute the controls. They report functionally to the Internal Risk Control unit. This unit's lines of action are established at Group level, and it is responsible for adapting and executing them locally, as well as for reporting the most relevant aspects.

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

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

- The first line is made up by the Group's business areas, which are responsible for control within the scope of their activities and for the execution of the measures set by higher authorities.
- The second line is made up of specialist control units (Regulatory Compliance, the department of Internal Financial Control of the Global Accounting & Information Management area, Internal Risk Control or IT Risk Fraud & Security, Operational Control and Production Divisions of the support units, such as Human Resources, Legal Services, etc.). This line supervises the control of the different units within their cross-cutting specialty, defines the mitigating and and the required improvement measures and promotes their proper implementation. In addition, the Corporate Operational Risk Management unit is part of this line. It promotes a common methodology and management tools.
- The third line is made up of the Internal Audit unit, which carries out an independent review of the model, checking compliance and effectiveness of corporate policies, and providing independent information on the control model.

Risk appetite

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

- To express the Bank's strategy and the maximum levels of risk it is willing to assume, at both Group and geographical and/or business area level.

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

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

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

- Alignment with the new regulatory requirements, facilitating communication with regulators, investors and other stakeholders, thanks to an integrated and stable risk management framework.

In turn, risk appetite is expressed through the following **elements**:

- Risk Appetite Statement: sets out the general principles of the Group's risk strategy and the target risk profile.

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

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

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

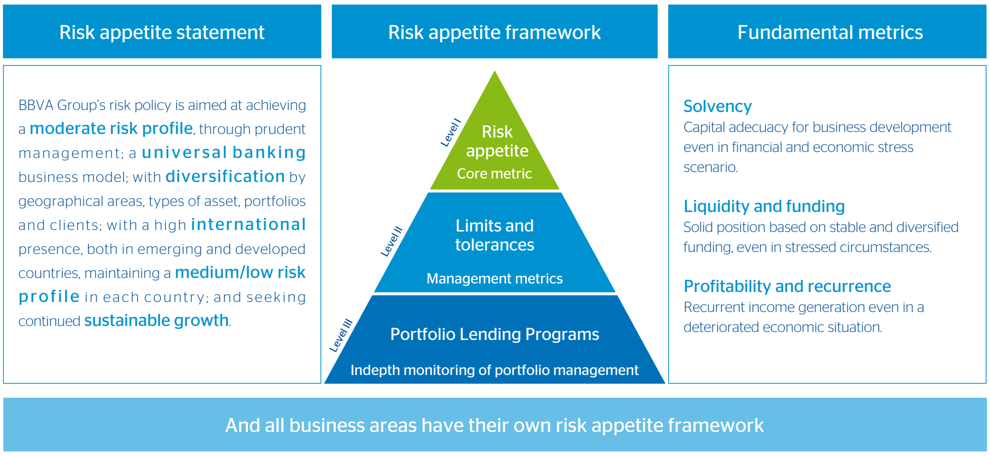
1. Risk Appetite Statement

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

BBVA's risk appetite expresses the levels and types of risk that the Bank is willing to assume to be able to implement its strategic plan with no relevant deviations, even in stress situations. Specifically, BBVA Group's risk policy is aimed at achieving a moderate risk profile through prudent management; a universal banking business model; with diversification by geographical areas, types of assets, portfolios and customers; with a high international presence, both in emerging and developed countries, maintaining a medium/low risk profile in each country; and seeking continued sustainable growth.

BBVA's risk appetite expresses the levels and types of risk that the Bank is willing to assume to be able to implement its strategic plan with no relevant deviations, even in stress situations

The elements of risk appetite



2. Fundamental metrics

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

3. Limits

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

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

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

Decisions and processes

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

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

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

1. Harmonized regulatory body

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

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

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

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

2. Risk planning

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

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

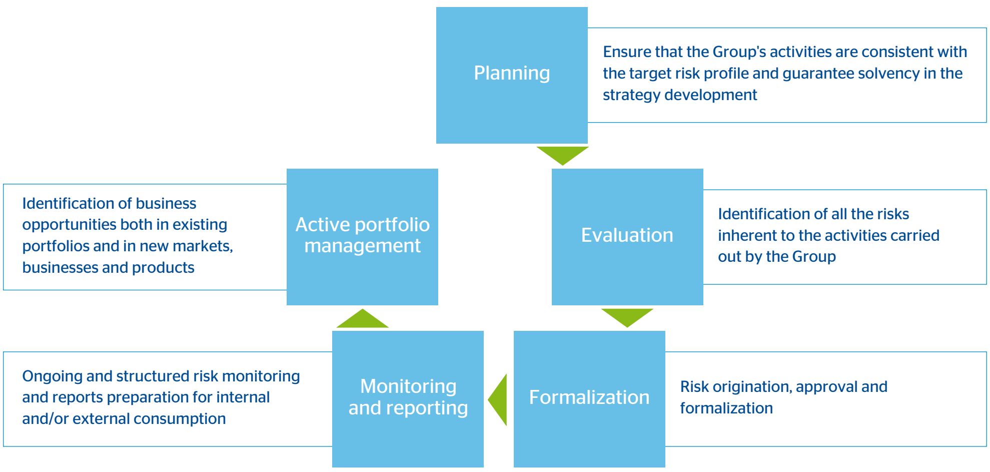
3. Daily risk management

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

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

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

Risk management life cycle



Evaluation, monitoring and reporting

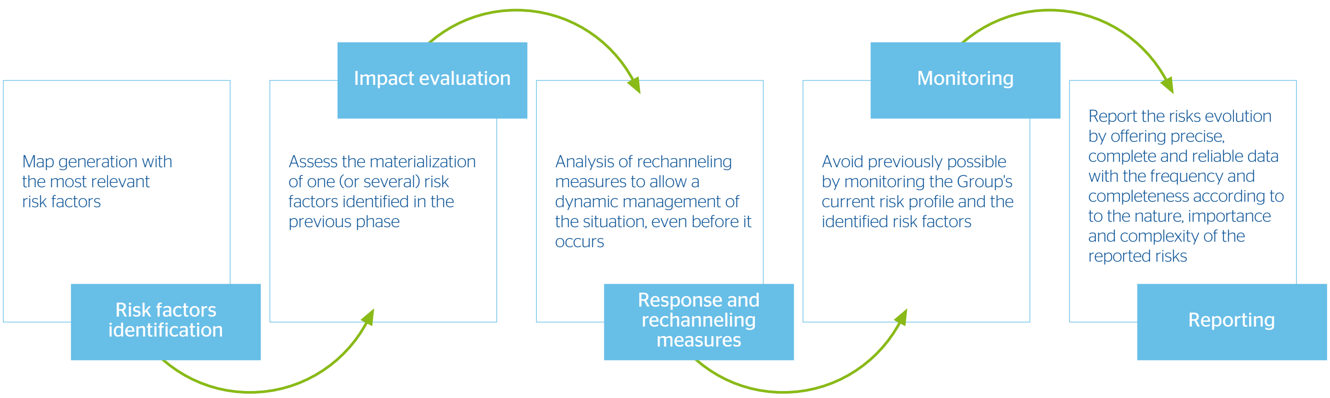
Evaluation, monitoring and reporting as a cross-cutting element that makes BBVA's risk management and control model dynamic and proactive

Evaluation, monitoring and reporting is a cross-cutting element that should ensure that the model has a dynamic and proactive vision to enable compliance with the risk appetite approved by the corporate bodies, even in unfavorable scenarios. This process covers all the categories of material risks and has the following **objectives**:

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

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

Phases of the evaluation, monitoring and reporting process



Infrastructure

The infrastructure is an element that must ensure that the Group has the human and technological resources needed for effective management and supervision of risks in order to carry out the functions included in the Group's risk and to reach the targets set.

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

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

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

- Homogeneity: the criteria are consistent across the Group, thus ensuring a homogenous handling of risk at geographical and/or business area level.
- Integration in management: the tools incorporate the corporate risk policies and are applied in the Group's day-to-day management.
- Automation of the main processes making up the risk management cycle.
- Adaptation: supply of adequate information at the right time.

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

Risk culture

BBVA considers the **risk culture** to be an essential element for consolidating and integrating the other components of the model. The culture transfers the implications that are involved in the Group's activities and businesses to all the levels of the Organization. The risk culture is organized and promoted through elements including the following:

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

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

Credit risk

Introduction

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

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

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

- Sufficient generation of funds and asset solvency of the customer to assume principal and interest repayments of loans owed.

- Establishment of adequate and sufficient guarantees that allow effective recovery of the operation, this being considered a secondary and exceptional method of recovery for when the first has failed.

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

- At Group level: frameworks for action and standard rules of conduct are defined for handling risk; specifically, the circuits, procedures, structure and supervision.

- At the business area level: they are responsible for adapting the Group's criteria to the local realities of each geographical area. They are responsible for direct management of risk according to the decision-making circuit.

  - Retail risks: in general, the decisions are formalized according to the scoring tools, within the framework for action of each business area. The changes in weighting and variables of these tools must be validated by the corporate GRM area.

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

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

Credit risk quantification methodologies

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

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

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

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

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

Probability of default (PD)

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

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

1. Scoring

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

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

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

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

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

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

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

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

An adequate management of the reactive, behavioral, proactive and bureau tools by the Group means that updated risk parameters can be obtained and are adapted to economic reality. This results in precise knowledge of the credit health of transactions and/or customers. This task is particularly relevant in the current economic situation, as it makes it possible to identify the contracts or customers that are in difficulties, and thus take the necessary measures to manage risks that have already been assumed.

2. Ratings

Rating is used for the wholesale segment in which default events are predicted at the customer level rather than at the contract level

These tools focus on wholesale customers: companies, corporations, SMEs, the public sector, etc. In such cases, default events are predicted at the customer level rather than at the contract level.

The risk assumed by BBVA in the wholesale customer portfolio is classified in a standardized way by using a single **master scale** in economic terms for the whole Group that is available in two versions: a reduced one with 22 degrees and an extended one with 34. The master scale allows discrimination amongst credit quality levels, taking into account geographical diversity and the different types of risk in the different wholesale portfolios in the countries where the Group operates.

The information provided by the rating tools is used when deciding on accepting transactions and reviewing limits.

Some of the wholesale portfolios managed by BBVA are low default portfolios, in which the number of default events is low (sovereign risks, corporations, etc.). To obtain PD estimates in these portfolios, the internal information is supplemented by external data, mainly from external rating agencies and the databases of external suppliers.

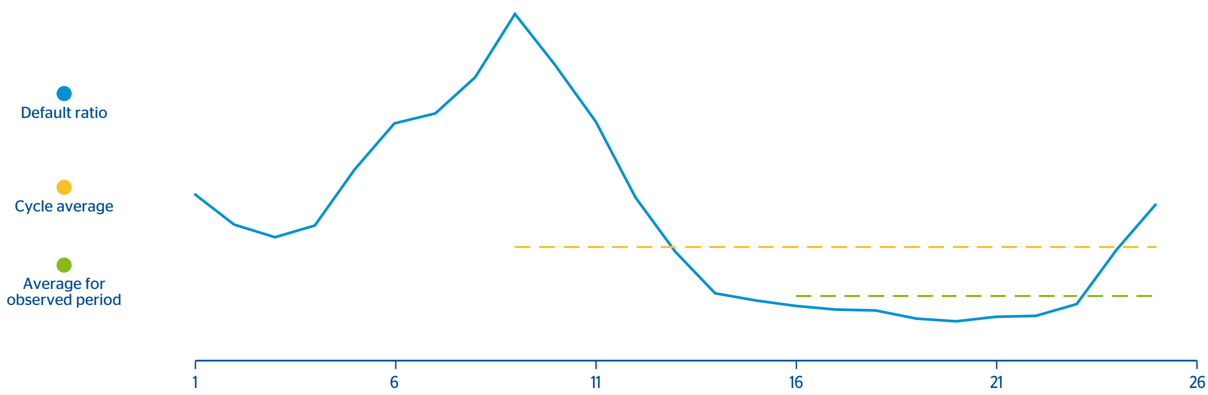
3. The economic cycle in PD

The current economic crisis has revealed the importance of a proper anticipation in risk management. In this context, excess cyclicality of risk measurements has been identified as one of the causes of the instability of the metrics of financial institutions. BBVA has always been committed to estimating average cycle parameters that mitigate the effects of economic-financial turbulence in credit risk measurement.

The probability of default varies according to the cycle: it is greater during recessions and lower during expansions. In general, financial institutions do not have internal information on defaults covering a sufficiently long period of time to serve as an observation of the behavior of portfolios over a complete cycle. That is why adjustments have to be made to the internal data. The adjustment process to translate the default rates observed empirically into average default rates is known as **cycle adjustment**. The cycle adjustment uses sufficiently long economic series related to the default of portfolios, and their behavior is compared with that of the default events in the Entity's portfolios. Any differences between past and future economic cycles may also be taken into account, thus resulting in a certain prospective approach.

The chart below illustrates how the cycle adjustment mechanism works. It shows the hypothetical evolution of a series of default events over a sufficiently long period of time to be considered to include at least one economic cycle. The cycle adjustment model used by BBVA extrapolates the performance of this series of default events to internal data, based on the relationship between the series over one entire cycle and the observation period.

Cycle adjustment mechanism



Loss given default (LGD)

Loss given default (LGD) is a key metric in quantitative risk analysis. It also has other internal management purposes. For example, for a correct price discrimination

Loss given default (LGD) is another of the key metrics used in quantitative risk analysis. It is defined as the percentage exposure at risk that is not expected to be recovered in the event of default.

BBVA basically uses two **approaches** to estimate LGD. The most common one is known as "workout LGD", in which estimates are based on the historical information observed by the entity, by discounting the flows observed throughout the recovery process of the contracts that have been in default at some point. In portfolios with a low rate of default (low default portfolio, or LDP), there is insufficient historical experience to make a robust estimate using the workout LGD method, so external sources of information have to be combined with internal data to obtain a representative rate of loss given default.

LGD **estimates** are carried out by segmenting operations according to different factors that are relevant for its calculation, such as the default period, seasoning, the loan-to-value ratio, type of customer, score, etc. The factors considered may be different according to the portfolio being analyzed.

Progress in building LGD scorings and ratings is becoming increasingly important in order to adapt LGD estimates to social changes and the economic situation. These estimates allow new factors to be included without losing the robustness of the information and make it possible to obtain models that are more sensitive to improvements or deterioration in the portfolio.

In the BBVA Group, different LGDs are attributed to the outstanding portfolio (default and non-default), according to combinations of all the significant factors, depending on the features of each product and/or customer.

Lastly, it is important to note that LGD varies with the **economic cycle**. Hence, two concepts can be defined: long-run LGD (LRLGD) and LGD at the worst moment in the cycle, or downturn LGD (DLGD).

LRLGD represents the average long-term LGD corresponding to an acyclical scenario that is independent of the time of estimation. DLGD represents the LGD at the worst time of the economic cycle, so it should be used to calculate economic capital, because the aim of EC is to cover possible losses incurred over and above those expected.

Every estimate of loss given default (LGD, LRLGD and DLGD) is performed for each portfolio, taking into account all the aforementioned factors. However, no LRLGD or DLGD estimates are made in portfolios in which the loss given default is not significantly sensitive to the cycle, as they are recovery processes that cover extended periods of time in which the isolated situations of the economic cycle are mitigated.

In addition to being a basic input for quantifying losses (both expected and capital losses), LGD estimates have other internal management purposes. For example, LGD is an essential factor to discriminate prices, in the same way that it can determine the approximate value of a defaulted portfolio in the hypothetical event of outsourcing recoveries or defining which potential recovery actions have the highest priority.

Exposure at default (EAD)

The EAD is adding the risk already drawn to a percentage of undrawn risk, called CCF

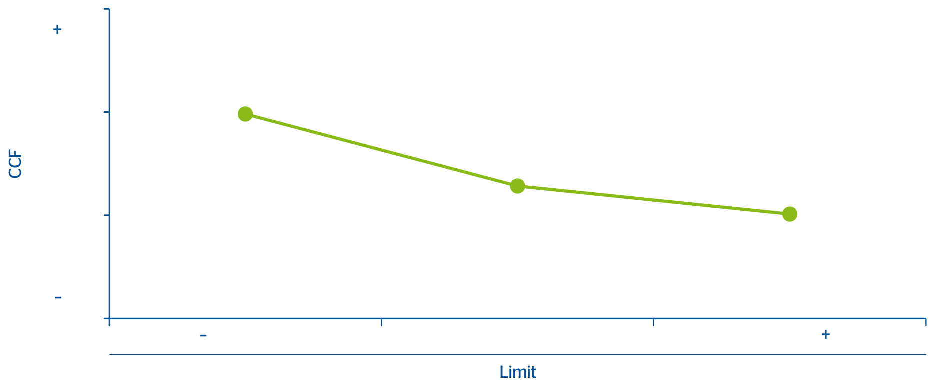
Exposure at default (EAD) is another of the inputs required to calculate expected loss and capital. It is defined as the outstanding debt at the time of default.

The **exposure** of a contract tends to be the same as its balance, although for products with explicit limits, such as cards or credit lines, exposure should include the potential increase in the outstanding balance from a reference date to the time of default. The EAD is therefore obtained by adding the risk already drawn on the transaction to a percentage of undrawn risk. This percentage of the undrawn balance that is expected to be used before default occurs is known as the credit conversion factor (CCF). Thus, the EAD is estimated simply by calculating this conversion factor.

In addition, the relevance of adding to EAD the possibility of using an additional percentage of the limit for transactions that exceed it on a reference date is assessed, according to the risk policy for each product.

The **estimate** of these conversion factors also includes distinguishing factors that depend on the characteristics of the transaction. For example, in the case of BBVA in Spain company credit cards, the conversion factor is estimated based on card activity, the amount of its limit, and the initial usage percentage, which is defined as the ratio between current risk and limit. The chart below shows the CCF for active company credit cards based on their limit, in such a way that a reverse relationship can be seen between the limit and the conversion factor.

CCFs for company credit cards of BBVA in Spain (active cards for SMEs by limit)



In order to obtain CCF estimates for low-default portfolios, the LDPs, external studies and internal data are combined, or behavior similar to other portfolios is assumed and their CCFs are assigned in this way.

1. The portfolio model and concentration and diversification effects

Credit risk for the global portfolio of the BBVA Group is measured through a **portfolio model** where the effects of concentration and diversification are considered. Its purpose is to study the entire loan book as a whole, by analyzing and capturing the effect of interrelations between the various portfolios.

In addition to enabling a more comprehensive calculation of capital needs, this model is a key tool for credit risk management, as it establishes loan limits based on the contribution of each unit to total risk in a global, diversified setting.

The portfolio model considers that risk comes from various sources (it is a multi-factor model). This feature implies that economic capital is increasingly sensitive to geographic diversification, a crucial aspect in a global entity like BBVA. These effects have become more apparent against the current backdrop in which, despite the stress undergone by the markets and the different rates of recovery in the countries where the Group operates, they have contributed to lessening the impact of this situation on BBVA.

The tool is also sensitive to the **concentration** that may exist in certain credit exposures, such as the Institution's large customers. Apart from geography, industry factors are now key to business concentration analyses.

Credit risk in 2014

Favorable and outstanding trend in the main risk indicators

At the close of **2014**, the main variables related to the Group's credit risk management have been positive and compare favorably with those of most of its competitors:

- The **NPA ratio** has declined, closing December at 5.8% (including real-estate activity), down from 6.8% at the close of 2013. This favorable performance cuts across all geographical areas and is due to the declining trend in non-performing assets, combined with an increase in the balance of the loan book.

- The **coverage ratio** has increased by 4.4 percentage points over the last twelve months to 64%, also across practically all the geographical areas.

- The cumulative **cost of risk** stands at 1.25% (1.59% in 2013).

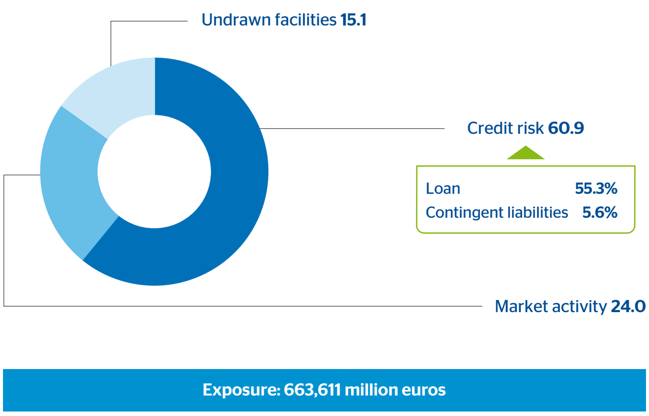
BBVA's **exposure** to credit risk stood at €663,611m at the close of December 2014, with a year-on-year increase of 5.8%. Credit risks with customers (including contingent liabilities), which account for 60.8%, rose by 4.5% over the same period. This change has been influenced by the strength of lending in the Americas and Turkey, as well as the recovery in new production in Spain. Although this recovery is still insufficient to offset the maturities of the current stock of credit, the lending trend is stabilizing. Potential exposure to credit risk in market activities (with a weight of 24.0%), including potential exposure to derivatives (once netting and collateral agreements are considered) and undrawn facilities (15.1% of the total), remains stable compared with the closing of the previous year.

BBVA Group. Exposure to credit risk

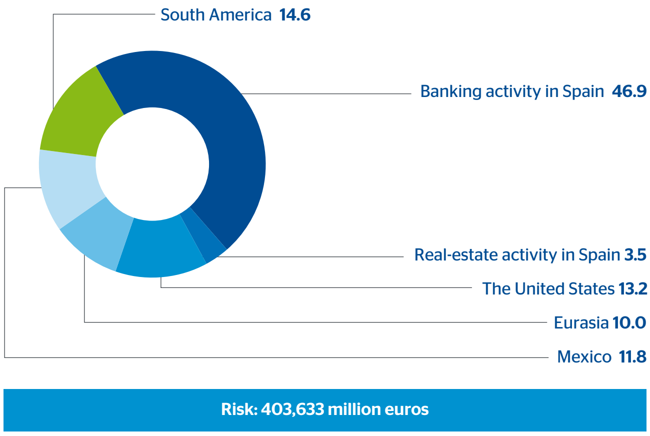
(Million euros)

	31-12-14								31-12-13	31-12-12
	Banking activity in Spain	Real-estate activity in Spain	The United States	Eurasia	Mexico	South America	Corporate Center	Total Group	Total Group	Total Group
Gross credit risk (drawn)	**189,300**	**14,023**	**53,140**	**40,563**	**47,703**	**58,894**	**10**	**403,633**	**386,401**	**407,126**
Customer lending	174,196	13,636	49,794	29,430	46,798	52,920	(112)	366,663	350,218	367,719
Contingent liabilities	15,103	386	3,346	11,133	905	5,974	122	36,970	36,183	39,407
Market activity	**77,333**	**4**	**10,203**	**26,765**	**27,407**	**15,475**	**2,369**	**159,556**	**149,935**	**154,689**
Credit entities	19,244	4	903	1,779	2,259	2,296	1,768	28,254	24,203	26,522
Fixed income	53,608	-	8,816	18,264	23,622	10,797	601	115,708	109,913	110,505
Derivatives	4,481	-	484	6,722	1,525	2,382	-	15,594	15,820	17,662
Undrawn facilities	**34,454**	**205**	**29,654**	**16,262**	**19,620**	**6,812**	**(6,584)**	**100,422**	**90,937**	**86,223**
Exposure to credit risk	**301,087**	**14,231**	**92,997**	**83,590**	**94,730**	**81,181**	**(4,205)**	**663,611**	**627,273**	**648,039**

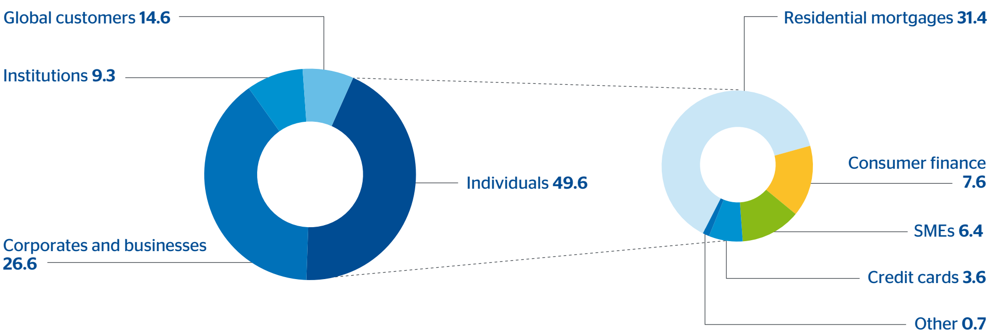
BBVA Group. Exposure to credit risk Breakdown by types of risk
(Percentage as of 31- Dec-2014)



BBVA Group. Exposure to credit risk (gross) Breakdown by business areas
(Percentage as of 31-Dec-2014)



BBVA Group. Exposure to loans and advances to customers (gross). Breakdown by portfolios (Percentage as of 31-Dec-2014)



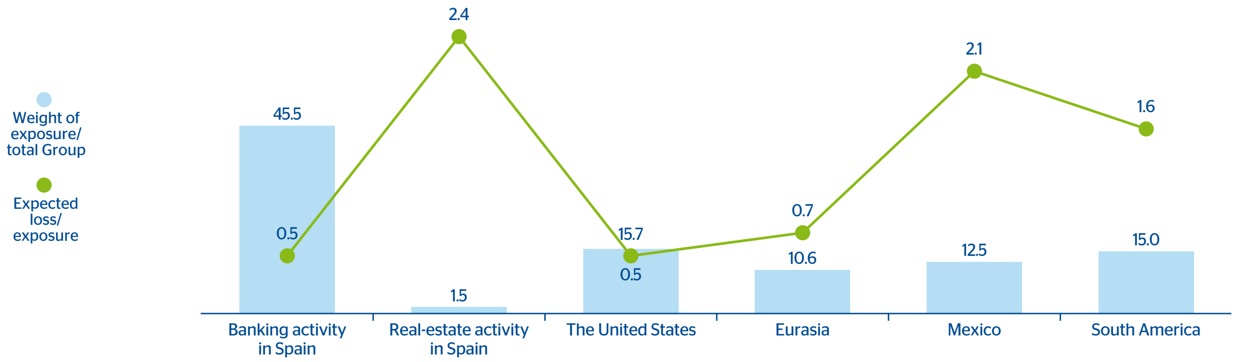
Expected losses

Expected losses not attributed in the performing portfolio, adjusted to the economic cycle average, stood at €3,453m as of the close of December 2014, a year-on-year increase of 4.5% using comparable data. In attributable terms, and not including the non-performing portfolio, the expected loss as of December 2014 stood at €3,156m, 2.6% higher than the previous year, using comparable data.

The chart below shows expected losses by business areas as of the close of December 2014. Banking activity in Spain, with an attributed exposure which accounts for 45.5% of the total, has an expected loss-to-exposure ratio of 0.5%; the real-estate activity accounts for 1.5% of total exposure, with a ratio of 2.4%. The United States has a weight of 15.7% and expected losses of 0.5%. Eurasia accounted for 10.6% of the exposure, with a ratio of 0.7%. Mexico has a weight of 12.5% and a ratio of 2.1%, and South America a weight of 15.0% and a ratio of 1.6%.

BBVA Group. Attributable expected losses (balances not in default) by business areas

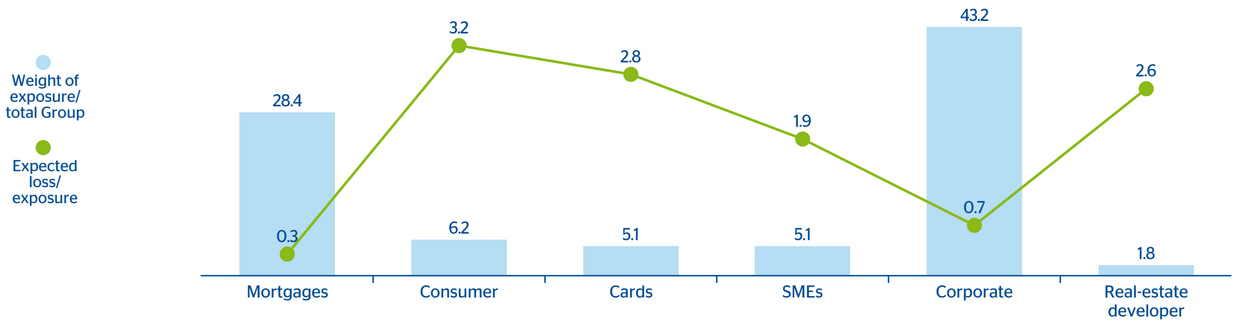
(Percentage over exposure as of 31-Dec-2014)



The expected losses of the Group's main portfolios at the close of December 2014 are also shown below. Retail portfolios, specifically mortgages, consumer finance, credit cards and SMEs, have an expected loss-to-exposure ratio of 0.3%, 3.2%, 2.8% and 1.9%, respectively. Within wholesale portfolios, the corporate portfolio has an expected loss ratio of 0.7% and the construction real-estate portfolio of 2.6%.

BBVA Group. Attributable expected losses (balances not in default) by portfolio

(Percentage over exposure as of 31-Dec-2014)



Concentration

BBVA has established the measurement, monitoring and reporting criteria for analyzing large credit exposures that may pose a risk of concentration. The goal is to guarantee that they are aligned with the risk appetite defined in the Group.

In particular, measurement and monitoring methods are established for large exposures at the level of individual concentrations, retail portfolio and wholesale concentrations, and geographical concentrations.

A quarterly measurement and monitoring process has been established for reviewing concentration risks.

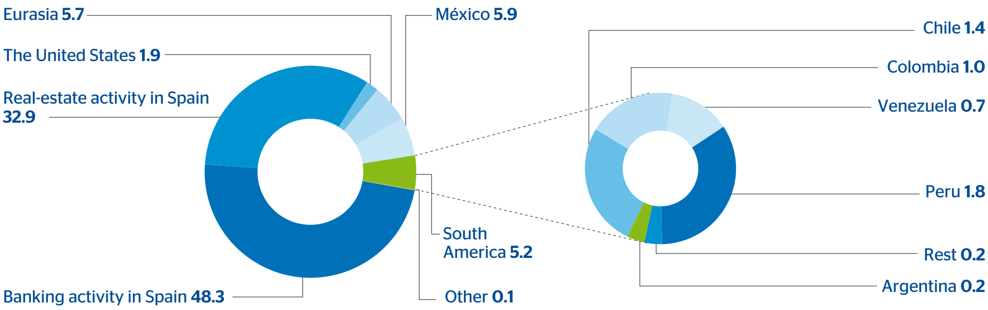
Non-performing assets and cost of risk

The **non-performing assets** figure has declined by €2,653m over the last twelve months to €23,590m, thanks to the good performance of net additions to NPA in Spain and improved asset quality in the United States and Mexico. In terms of variation in NPA, gross entries to NPA declined over the year to below the level of 2013 while stability in recoveries over the same period. As a result, the ratio of recoveries to gross additions to NPA was 80.1% in 2014, a significant improvement on the figure of 43.5% for the previous year.

Positive trend in non-performing assets, strongly supported by the good performance of additions to NPA in Spain

BBVA Group. Non-performing assets. Breakdown by business areas

(Percentage as of 31-Dec-2014)



Non-performing assets: 23,590 million euros

The following tables show the changes in the period from January 1 to December 31, 2014 for impaired loans and non-performing contingent liabilities, both for BBVA Group and for each business area.

BBVA Group. Evolution in non-performing assets

(Million euros)

	2014	2013	2012
Beginning balance	**26,243**	**20,603**	**15,866**
Entries	9,074	18,027	14,525
Recoveries	(7,265)	(7,840)	(8,291)
Net variation	**1,809**	**10,187**	**6,234**
Write-offs	(4,754)	(3,856)	(4,395)
Exchange rate differences and other	291	(691)	2,899
Period-end balance	**23,590**	**26,243**	**20,603**

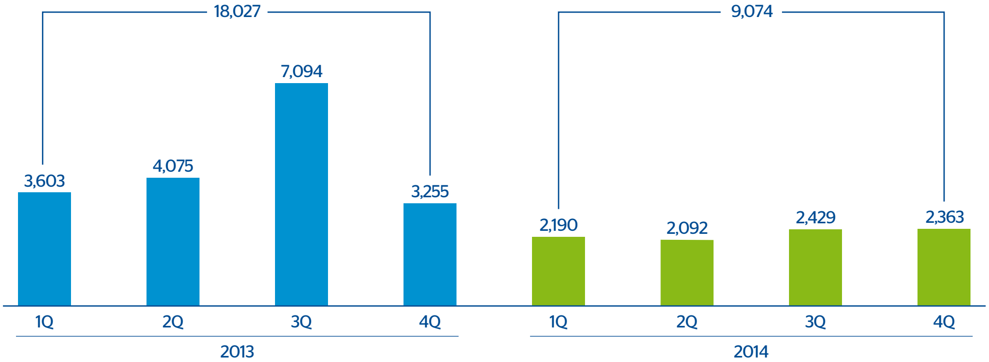
BBVA Group. Evolution in non-performing assets by business areas

(Million euros)

	Banking activity in Spain		Real-estate activity in Spain		The United States		Eurasia		Mexico		South America	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Beginning balance	**12,480**	8,552	**9,259**	7,229	**513**	978	**1,349**	1,160	**1,469**	1,489	**1,108**	1,122
Entries	**514**	5,453	**(661)**	2,397	**32**	(41)	**118**	305	**1,418**	1,395	**591**	680
Write-offs	**(1,546)**	(1,255)	**(975)**	(673)	**(139)**	(213)	**(102)**	(60)	**(1,549)**	(1,190)	**(407)**	(451)
Exchange rate differences and other	**(63)**	(269)	**148**	307	**54**	(211)	**(19)**	(56)	**47**	(226)	**(72)**	(243)
Period-end balance	**11,385**	12,480	**7,770**	9,259	**459**	513	**1,346**	1,349	**1,385**	1,469	**1,220**	1,108

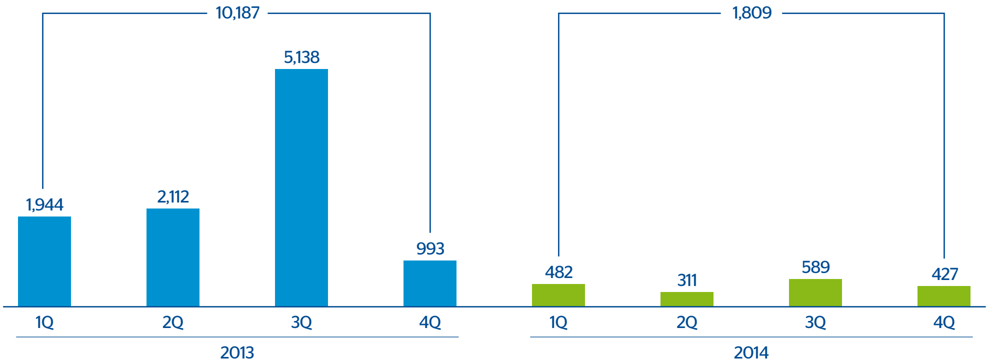
BBVA Group. Gross additions to NPA

(Million euros)



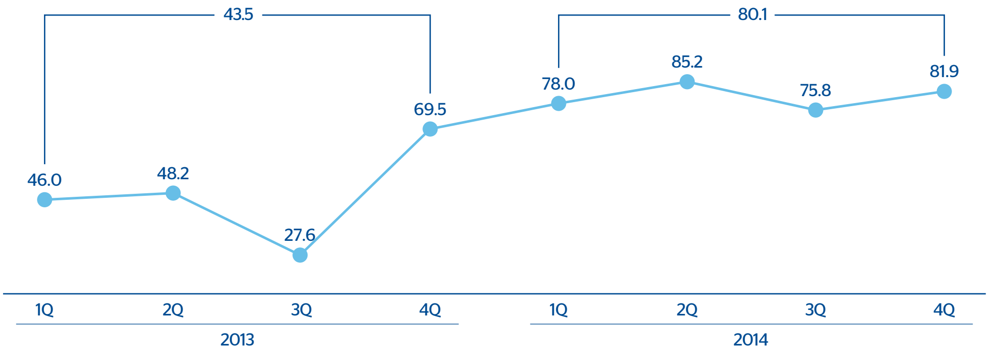
BBVA Group. Net additions to NPA

(Million euros)



BBVA Group. NPA Recoveries

(Percentage)



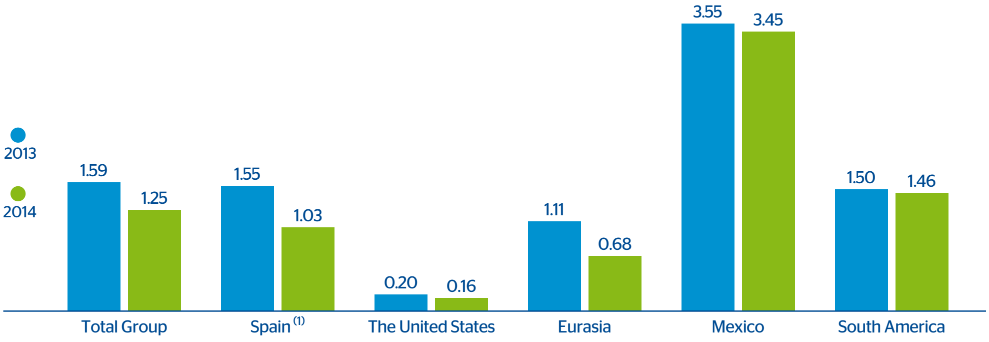
The Group's **NPA ratio** closed December 2014 at 5.8% (4.1% excluding real-estate activity in Spain), down 95 basis points over the year. This was due to the aforementioned decline in the non-performing portfolio and the increase in the Group's total risks. By areas, the ratio in the banking activity in Spain stands at 6.0%, with a fall of 42 basis points since the end of 2013; in real-estate activity in Spain it stands at 55.4% (55.5% as of 31-Dec-2013); in Mexico, the United States and Eurasia this ratio has improved to 2.9%, 0.9% and 3.3, respectively (3.6% for Mexico, 1.2% for the United States and 3.4% for Eurasia, with data as of the close of the previous year); and in South America it remains at 2.1%.

The Group's **cost of risk**, which measures the charge against the income statement made for net loan-loss provisioning per lending unit, decreased by 34 basis points in 2014 to 1.25%. By geographical areas, the cost of risk in Spain (including real-estate activity) decreased by 52 basis points to 1.03%, in Eurasia it declined by 43 basis points to 0.68%, in Mexico it stands at 3.45% (3.55% as of 31-Dec-2013) and in South America at 1.46% (1.50% one year before), while in the United States it remains stable at 0.16% (0.20% at the end of 2013).

Lastly, the **provisions** for customer risk amounted to €15,157m as of 31-Dec-2014, a decline of 3.5% over the last twelve months. Despite this, and given the aforementioned reduction in the non-performing balances, the Group's coverage ratio has increased by 4.4 percentage points to 64%. By business areas, there has been an increase in the coverage ratio in practically all the geographical areas: in Spain it increased to 52% (45% in banking activity and 63% in the real-estate activity); in the United States it closed the year at 167% (134% in December 2013); in Eurasia it increased from 87% to 92%; in Mexico it rose to 114% (110% at the close of 2013); and in South America it stands at 138% (down from 141% as of 31-Dec-2013).

BBVA Group. Cost of risk by business areas

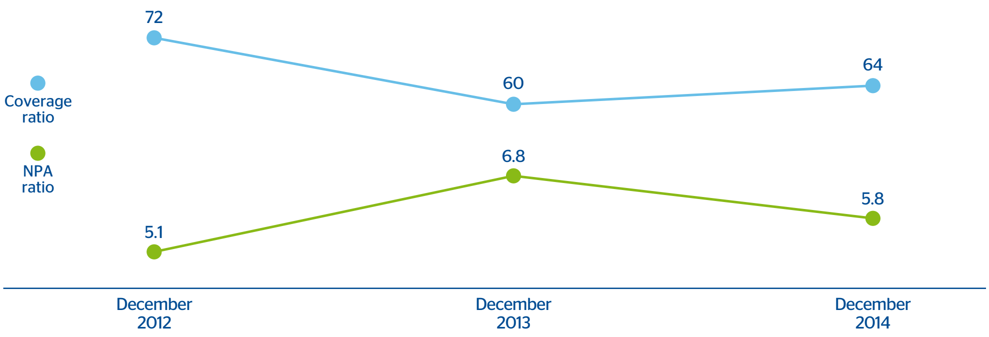
(Percentage)



(1) Includes real-estate activity.

BBVA Group. NPA and coverage ratio

(Percentage)



Market risk

Market risk in trading book

Introduction

This type of risk arises from the probability that there may be losses in the value of positions in financial instruments due to changes in their market prices. BBVA manages this risk as VaR (Value at Risk) probability.

Market risks in the business units that carry out trading activities must be correctly identified, measured and assessed, as in the case of other risks. They must also have specific procedures implemented for their control and mitigation. The BBVA Global Market Risk Unit is responsible for these functions, and is integrated into the Group's corporate risk area, GRM.

Market risk may be of various kinds: interest-rate, equity, exchange-rate, credit spread and volatility risk

Market risk originates, as just mentioned, as a result of movements in the market variables that impact the valuation of traded financial products and assets. The main risks generated can be classified as follows:

- **Interest-rate** risk. This arises as a result of exposure to the movement of the different interest-rate curves involved in trading. Although the typical products that generate sensitivity to these movements are those in the money market (deposits, interest-rate futures, call money swaps, etc.) and traditional interest-rate derivatives (swaps and interest-rate options such as caps, floors, swaptions, etc.), practically all the financial products have exposure to interest-rate movements due to the effect that such movements have on their valuation through the financial discount.

- **Equity** risk. This arises due to changes in share prices. This risk is generated in spot positions in shares, as well as any derivative products whose underlying is a share or an equity index. Associated with this type of risk is the dividend, as being an input for any equity option, its variation may affect the valuation of positions and it is a factor that generates risk.

- **Exchange-rate** risk. Produced by the variation of exchange rates of the different currencies in which the position is held. As in the case of equity, this risk is generated in cash currency positions, and in any derivative product whose underlying is an exchange rate. In addition, the *quanto* effect (operations in which the underlying and the nominal are denominated in different currencies) means certain transactions in which the underlying is not a currency generating an exchange-rate risk that has to be measured and monitored.

- **Credit spread** risk. Credit spread is an indicator of an issuer's asset quality. This risk occurs due to variations in the levels of asset quality of both corporate and government issues, and affects both the positions in bonds and credit derivatives.

- **Volatility** risk. It is generated due to changes in the levels of implied volatility of the prices of the different markets instruments in which derivatives are traded. This risk, unlike the others, is exclusively a component of trading in derivatives.

Methodologies of quantification

The **metrics** developed to control and monitor market risk in BBVA Group are aligned with best practices and are implemented consistently in all the local market risk units.

Measurement **procedures** are established in terms of the possible impact of negative market conditions on the trading portfolio of the Group's Global Markets units, both under ordinary circumstances and in situations of heightened risk.

The standard metric used to measure market risk is **Value at Risk** (VaR), which indicates the maximum losses that may be incurred by trading portfolios at a given confidence level (99%) and in a one-day time horizon. This statistic is used generally in the market and has the advantage of summing up in a single metric the risks inherent to trading activity, taking into account existing relations between all of them and providing a prediction of the losses that the trading book could suffer as a result of fluctuations in equity prices, interest rates, foreign exchange rates and commodity prices. For some positions, other risks also need to be considered, such as credit spread risk, basis risk, volatility risk and correlation risk.

At BBVA, VaR is the standard metric for measuring market risk and the internal model is used to calculate the capital of 80-90% of its trading book

With respect to the risk measurement **models** used in BBVA Group, the Bank of Spain has authorized the use of the internal model to determine bank capital requirements deriving from risk positions on the BBVA S.A. and BBVA Bancomer trading book, which jointly accounts for 80-90% of the Group's trading-book market risk. For the rest of the geographical areas (basically South America and the United States) the standard model is used for the calculation.

The current **management structure** includes the monitoring of:

- Market risk limits, consisting of a scheme of limits based on VaR, economic capital (calculated based on VaR measurements) and VaR sub-limits.
- Stop-loss orders (i.e. orders to cease or limit losses) for each of the Group's business areas.

The global limits are approved annually by the Executive Committee at the proposal of the market risk unit, following presentation to the GRMC and in the Board of Directors' Risk Committee. This limits structure is developed by identifying specific risks by type, trading activity and trading desk. The market risk unit maintains consistency between the limits. This control structure is supplemented by limits on loss and a system of alert signals to anticipate the effects of adverse situations in terms of risk and/or result.

The model used calculates VaR in accordance with the "historical simulation" **methodology**, which consists of estimating losses and gains that would have taken place in the current portfolio if the changes in market conditions that took place over a specific period of time in the past were repeated. Based on this information, it infers the maximum expected loss of the current portfolio within a certain confidence level. This model has the advantage of reflecting precisely the historical distribution of the market variables and does not require any assumed distribution of a specific probability. The historical period used in this model is two years. The VaR figures are estimated using two methodologies:

- VaR without smoothing, which awards equal weight to the daily information for the previous two years. This is currently the official methodology for measuring market risks in order to monitor and control risk limits.
- VaR with smoothing, which weighs more recent market information more heavily. This is a metric that supplements the previous one.

VaR with smoothing adapts itself more swiftly to changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in market uncertainty. In the case of South America a parametric methodology is used to measure risk in terms of VaR.

At the same time, and following the guidelines established by the Spanish and European authorities, BBVA incorporates **additional metrics** to VaR with the aim of satisfying the Bank of Spain's regulatory requirements with respect to the calculation of capital needs for the trading book. Specifically, the new measures incorporated in the Group since December 2011 (stipulated by Basel II) are:

- VaR. In regulatory terms, the stressed VaR charge is incorporated into the VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the loss associated with movements of risk factors inherent to market operations (interest-rate, exchange-rate, equity, credit risk, etc.). Both VaR and stressed VaR are re-scaled by a regulatory multiplication factor, set at 3 and by the square root of 10, to calculate the capital charge.

- Specific risk with an IRC (incremental risk charge) model: quantification of the risks of default and rating downgrade of the bond and credit derivative positions in the trading book. The specific rick capital with IRC is a charge exclusively for those geographical areas with an approved internal model (BBVA S.A. and Bancomer). The capital charge is calculated according to associated losses (at 99.9% in a one-year horizon, under the constant risk hypothesis) as a result of the rating migration and/or default status of the asset's issuer. Also included is the price risk in sovereign debt positions according to the indicated concepts.

- Specific risk in securitizations and correlation portfolios: capital charge for securitizations and for the correlation portfolio to include the potential losses associated with the rating level of a given credit structure. In both cases they are calculated by the standard method.

Validity test on the measurement models are very important for monitoring that the models operate correctly

Validity tests are performed periodically on the risk measurement models used by the Group. They estimate the maximum loss that could have been incurred in the positions assessed with a given level of probability (backtesting), as well as measurements of the impact of extreme market events on the risk positions held (stress testing). Backtesting is also performed as an additional control measure at the level of trading desks in order to provide a more specific monitoring of the validity of the measurement models.

Market risk in 2014

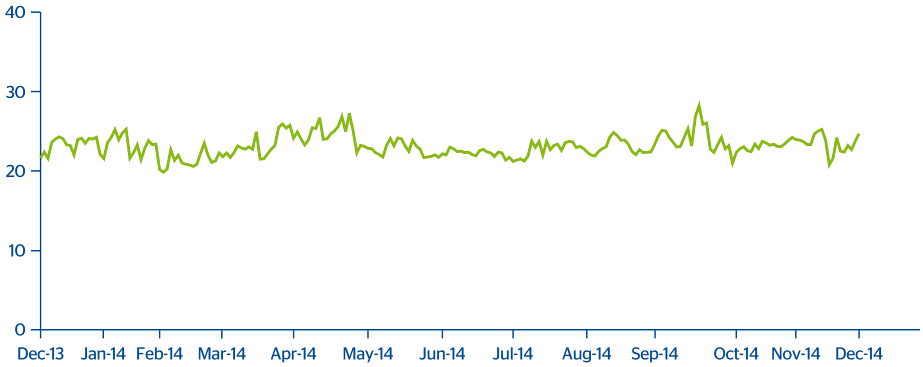
The year **2014** has been characterized by an incipient change in the evolution of the economic crisis in Spain, reflected in some improvement in the financial markets thanks to a reduction in the risk premium, with a decline in the main credit spreads, including the spread between Spanish and German government bond. In the last part of the year, the markets have been influenced by the significant fall in oil prices and the increase in exchange-rate volatility. In this context, the function of risk control in market activities has a special importance.

Market risk in BBVA continues relatively low

The Group's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly in terms of credit risk. This is due to the nature of the business and the Group's policy of minimal proprietary trading. In 2014, the market risk of the Group's trading book has increased slightly *versus* the previous year, in terms of VaR, by €25 million at the close of the period. The average VaR was €23 million, the same as the figure registered in 2013, with a maximum level for the year on day 16 of October, at €28.

BBVA Group. Market risk evolution in 2014

(VaR in million euros)



By type, the main **risk factor** in the Group continues to be linked to interest rates, with a weight of 67% of the total (this figure includes spread risk), it has increased its relative weight compared with the close of 2013 (55%). Foreign-exchange risk accounts for 12% and has increased its proportion compared with same date last year (10%), while equity risk and volatility and correlation risk reduce, which have a weight of 5% and 16% respectively at the close of 2014 (*versus* 8% and 27% at the close of 2013).

BBVA Group. Market risk by risk factors in 2014

(Million euros)

VaR by risk factors	Interest/spread risk	Interest-rate risk	Equity risk	Vega/ Correlation risk	Diversification effect (1)	Total
2014						
VaR medio del período						23
VaR máximo del período	31	6	4	10	(22)	28
VaR mínimo del período	24	4	3	11	(23)	20
VaR al final del período	**30**	**5**	**2**	**7**	**(20)**	**25**

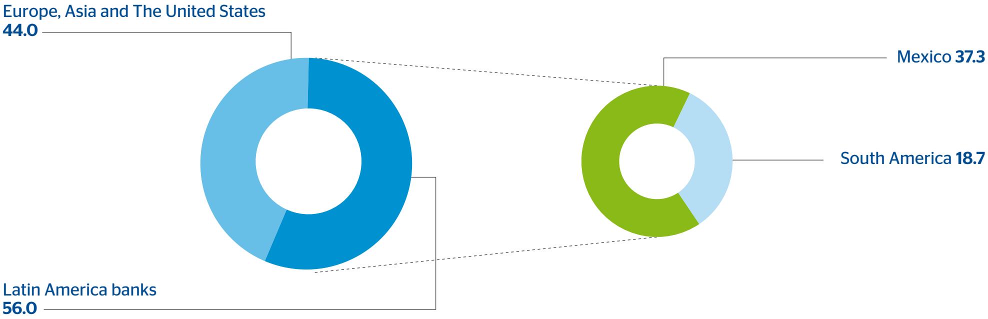
(1) The diversification effect is the difference between the agregation of each risk factor, individually measured, and the total VaR figure which reflects the implicit correlation among all the variables and scenarios used in the measurement.

By **geographical areas**, 44.0% of the market risk corresponds to the trading floors of the Global Markets units in Europe, New York, Asia and BBVA Compass, and 56.0% to the Group's banks in Latin America, of which 37.3% is in Mexico.

The change in average daily VaR over 2014 compared with 2013 is basically due to Global Markets Mexico and Global Markets South America which have reduced their average risk in 7% and 16%, respectively. This decrease is compensated by the rise in the Global Markets' units in Europe, New York and Asia (13%).

BBVA Group. Market risk by geographical area

(Average 2014. Percentage)



The backtesting shows the internal BBVA model is adequate and accurate

Validation of the model

The internal market risk model is validated regularly through **backtesting**, both at BBVA, S.A. and BBVA Bancomer.

The **aim** of these tests is to check the quality and accuracy of the internal model used by BBVA Group to estimate the maximum daily loss of a portfolio, at a 99% level of confidence and a time horizon of 250 days, through a comparison of the Group's results and the risk measurements generated by the model. These tests have shown that the internal market risk model of both BBVA, S.A. and BBVA Bancomer is adequate and precise.

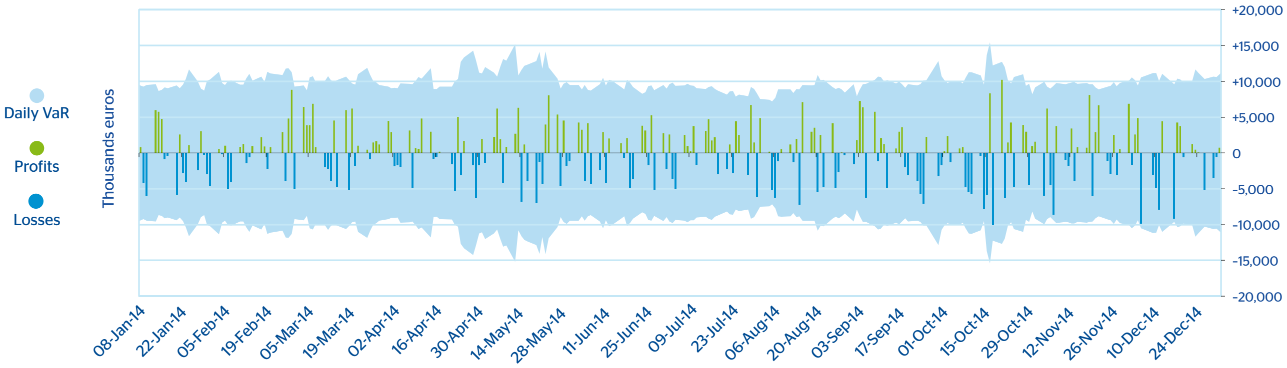
Two types of backtesting were performed in **2014**:

- "Hypothetical" backtesting: the daily VaR is compared with the results obtained without taking into account either the intraday results or changes in the portfolio positions. This validates the appropriateness of the market risk metrics for the end-of-day position.
- "Real" backtesting: the daily VaR is compared with total results, including the intraday operations, but discounting the possible charges or fees generated. This type of backtesting thus incorporates the intraday risk in the portfolios.

In addition, each of these two types of backtesting has been carried out at the risk factor or business type level, thus making a deeper comparison of the results obtained and the risk measurements. In 2014, a backtesting of the internal calculation model of VaR was carried out in Bancomer, comparing the daily results obtained with the daily risk level estimated by the VaR calculation model. At the end of the year the comparison showed the model had worked properly, and remain within the "green" area (0-4 exceptions), thus validating the model, as has occurred each year since the internal market risk model was approved in the Group. Backtesting in BBVA, S.A. did not reveal any exception in 2014. Credit spreads for Spanish sovereign and corporate debt continued to narrow during the year and equity markets have in general shown an upward trend. To sum up, the backtesting carried out in 2014 at BBVA S.A. at both aggregate level and the level of risk factor, did not detect any type of anomaly in the VaR calculation model. In the case of BBVA Bancomer, portfolio losses only exceeded the daily VaR on one occasion, thus also validating the correct operation of the model in accordance with the Basel criteria.

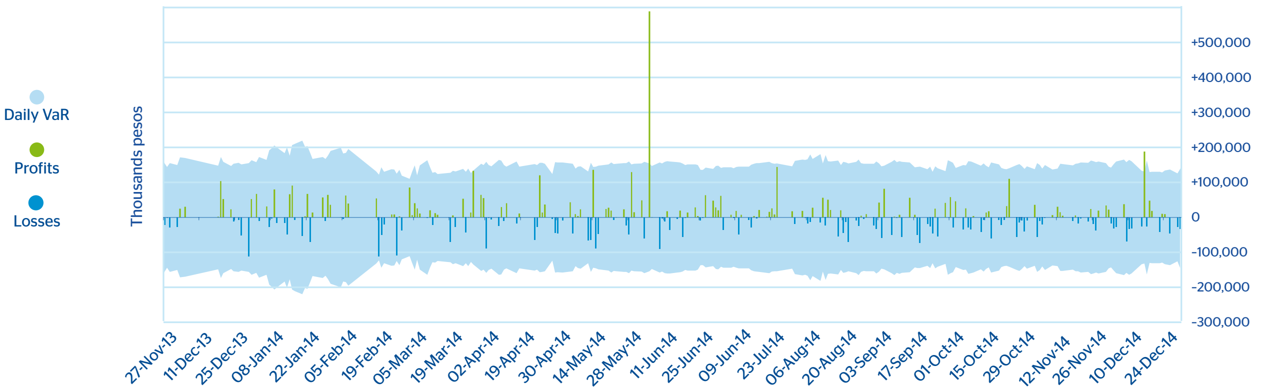
Hipotetical internal backtesting model measuring the market risk for BBVA, S.A. in 2014

(Estimated VaR without smoothing *versus* daily results)



Hipotetical internal backtesting model measuring the market risk for BBVA Bancomer, S.A. in 2014

(Estimated VaR without smoothing *versus* daily results)



Stress-test analysis

Several different stress-test exercises are performed on BBVA Group's trading portfolios. First, global and local historical scenarios are used to replicate the behavior of an extreme past event, such as the Lehman Brothers collapse or the "tequilazo" crisis. These stress tests are supplemented by simulations in which the aim is to generate scenarios that have a significant impact on different portfolios, but without being restricted to any specific historical scenario. Finally, fixed stress tests are performed for certain portfolios or positions that significantly affect the market variables involved in these positions.

1. Historical scenarios

The benchmark historical stress scenario for BBVA Group is the **Lehman Brothers** bankruptcy in September 2008, which had a significant impact on the behavior of the financial markets at global level. The following are the most relevant effects of this historical scenario:

- Credit shock: reflected mainly in the increase in credit spreads and downgrades of credit ratings.

- Increased volatility in most financial markets (giving rise to much variation in the prices of different assets (currency, equity, debt).

- Liquidity shock in the financial systems, reflected by a major fluctuation in interbank curves, particularly in the shortest sections of the euro and dollar curves.

Grupo BBVA. Impact on results of the Lehman scenario

(1-day loss. Millon euros)

	2014	2013	2012
Global Markets Europe, New York and Asia	(29)	(23)	(9)
Global Markets Mexico	(50)	(67)	(82)
Global Markets Argentina	(2)	(5)	(1)
Global Markets Chile	(5)	(6)	(8)
Global Markets Colombia	(2)	(2)	(2)
Global Markets Peru	(13)	(7)	(8)
Global Markets Venezuela	(3)	(3)	(4)

2. Simulated scenarios

Unlike the historical scenarios, which are fixed and thus do not adapt to the composition of portfolio risks at any particular time, the scenario used to carry out the economic stress tests is based on a resampling methodology. This methodology uses dynamic scenarios that are recalculated regularly according to the main risks held in the trading portfolios. A simulation exercise is carried out in a data window that is sufficiently extensive to include different periods of stress (data are taken from January 1, 2008 until today), using a resampling of the historical observations. This generates a distribution of losses and gains that allows an analysis of the most extreme events occurring within the selected historical window. The advantage of this methodology is that the stress period is not pre-established, but rather a function of the portfolio held at any given time. As it constructs a large number of simulations (10,000) it can also analyze the expected shortfall with greater richness of information than that available in the scenarios included in the VaR calculation.

The main **characteristics** of this methodology are as follow:

- The simulations generated respect the data correlation structure.

- Flexibility in the inclusion of new risk factors.

- It enables a great deal of variability to be introduced in the simulations (desirable when considering extreme events).

Stress test impact by simulated scenarios (expected shortfall at 95% of confidence and up to 20 days) (Million euros as of 31-Dec-2014)

Europe	(63)
Mexico	(40)
Peru	(30)
Venezuela	(9)
Argentina	(1)
Colombia	(8)
Chile	(11)

Credit risk in trading book

The credit risk assessment in OTC financial instruments is made by means of a **Monte Carlo simulation**, which calculates not only the current exposure of the counterparties, but also their possible future exposure to fluctuations in market variables.

The model combines different credit risk factors to produce distributions of future credit losses and thus allows a calculation of the portfolio effect; in other words, it incorporates the term effect (the exposure of the various transactions presents potential maximum values at different points in time) and the correlation effect (the relationship between exposures, risk factors, etc. is normally different from 1). It also uses credit risk mitigation techniques such as legal netting and collateral agreements.

The **maximum** credit risk **exposure** in derivatives with counterparties in the Group as of 31-Dec-2014 stood at €47,248 million, which means an increase on 2013 year-end figure.. Excluding contractual arrangements of netting and collateral, the net exposure in derivatives stands at €15,594 million as of 31-12-2014, which supposes a reduction against the same figure of last year.

Maximum exposure to credit risk in derivatives at BBVA, S.A. is estimated at €39,185 million (compared with the more than €37,000 in the previous year). BBVA S.A.'s overall reduction in terms of exposure due to netting and collateral agreements is €27,982 million.

Therefore, the net risk in derivatives at BBVA, S.A. as of December 31, 2014 is €11,203 million (compared with the €12.591 million of the previous year).

Net counterparty risk by type of product and sector. Maximum exposure at BBVA, S.A. (excluding intra-group counterparties) (Million euros)

Units	Derivates	Deposits	Repos	Other	Total
Financial sector	4,406	60	471	(130)	4,808
Corporate	3,947	2	-	-	3,948
Branches	2,377	1	-	-	2,378
Sovereign	473	59	9	-	541
Total	**11,203**	**121**	**481**	**(130)**	**11,675**

The above table shows the **distribution by sectors and by products** of the amounts of the maximum credit risk exposure in financial instruments in BBVA, S.A. Exposure continues to be mainly concentrated in financial institutions (41%).

The table below shows the **distribution by maturities** of the maximum exposure amounts in financial instruments. Maturity index is 3.6 years.

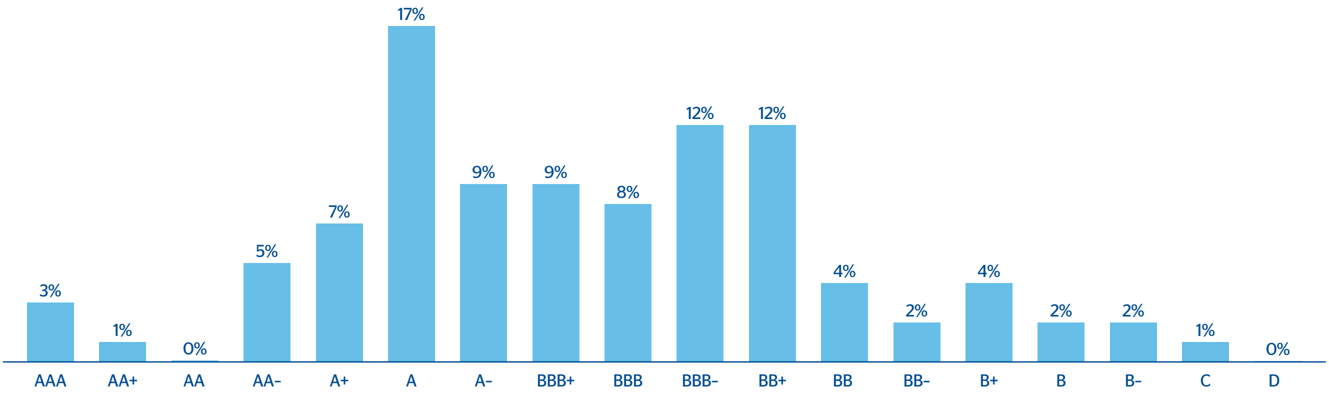
Maturity vector by rating and tranches at BBVA, S.A. (excluding intra-group counterparties)

(Million euros as of 31-Dec-2014)

	Up to 3 months	Up tp 12 months	Up to 3 years	Up to 5 years	Up to10 years	More than 10 years
AAA	-	-	48	54	99	79
AA	283	83	62	68	90	131
A	363	909	599	424	610	494
BBB	93	366	440	393	878	734
Non investment grade	5	648	659	569	769	269
NR	1	1	2	1	-	-
D	3	28	19	16	28	16
TOTAL	**749**	**2,035**	**1,828**	**1,525**	**2,474**	**1,723**

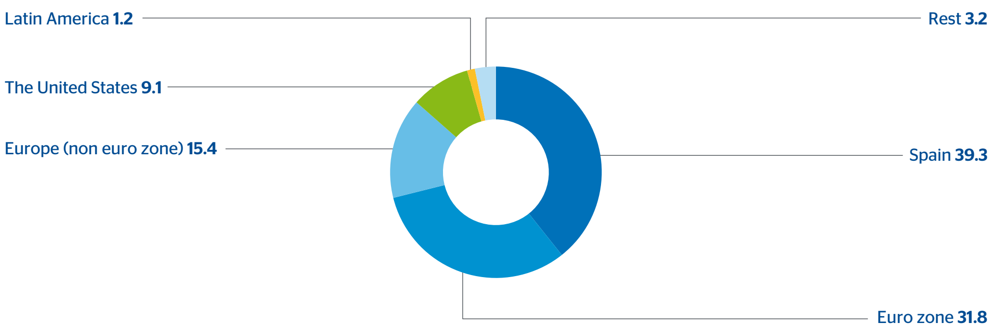
The **counterparty risk** assumed in this activity involves entities with a high credit rating (A- or higher in 41% of cases).

Distribution of maximum exposure by ratings at BBVA, S.A. (excluding intra-group counterparties)



By **geographical areas**, the maximum exposure of BBVA, S.A. is in counterparties in Europe (86%) and the United States (9%), which together account for 96% of the total.

Geographical distribution of maximum exposure at BBVA, S.A (Excluding intra-group counterparties) (Percentage)



Structural risks

Introduction

Structural risks (SR) in BBVA include the risks managed on the Group's balance sheet that arise from the Bank's structural exposure to various market risk factors and conditions in the financial environment. This generic classification includes the risks related to asset and liability management and, in addition, the structural exchange-rate risk and structural equity risk, i.e.:

- Structural **interest-rate** risk, whose management aims to maintain BBVA Group's exposure to market interest-rate fluctuations at levels consistent with its strategy and risk profile. This risk follows the Group's decentralized management model. The balance sheet management unit, through the Assets and Liabilities Committee (ALCO), designs and executes the defined strategies, respecting the tolerances established within the risk appetite framework.

- Structural **exchange-rate** risk, which originates basically through exposure to changes in exchange rates in BBVA Group's companies abroad and in the funding of foreign subsidiaries in a currency other than that of the investment. Managing this risk is based on a simulation model of scenarios to quantify the changes in value that can be produced with a given confidence level and a predetermined time horizon. The balance sheet management unit, through the Assets and Liabilities Committee (ALCO), designs and executes the strategies to carry out, being supported by the internal risk metrics according to the corporative model. It also realizes hedging operations with the goal of minimizing the impact on capital of changes in exchange rates, according to their projected trend.

- Structural **equity** risk, which originates from the possible negative impact derived from the loss of value of investments in industrial and financial companies with medium and long-term investment horizons. The corporate GRM area is responsible for the measurement and effective monitoring of structural equity risk by estimating the sensitivity and the capital necessary to cover possible unexpected losses due to variations in the value of the companies comprising the Group's investment portfolio, at a confidence level that corresponds to the Institution's target rating, and taking into account the liquidity positions and the statistical behavior of the assets under consideration.

BBVA's structural risks level in 2014 has remained at similar proportion to previous years in terms of economic capital

The main aspects of structural risk **management** in BBVA Group in terms of purpose, governance and management are described below.

Structural risk management	Structural interest-rate risk	Structural exchange-rate risk	Structural equity risk
Purpose	To preserve net interest income, contributing to the generation of recurrent earnings, and optimize the Bank's economic value in the face of variations in market interest rates.	To minimize potential negative impacts of fluctuations in exchange rates on the Group's equity, solvency and earnings in relation to its strategic international investments.	To optimize the planned profitability according to the assigned tolerance, in each structural portfolio with positions in non-strategic industrial and financial companies, with medium and long-term investment horizons.
Governance	The Executive Committee approves the system of limits and alerts, following review by the Global Risk Management Committee and the Risk Committee. This approval transposes the tolerances approved by the Board of Directors into the management metrics of each risk. GRM prepares the proposal for the system of limits and alerts as well as performing structural risks' control and monitoring. Its functions include designing the measurement models and systems, developing the policies on corporate management, information and control, and preparing the risk measurements that underpin the Group's management. GRM reports regularly the management metrics to both the management and administration bodies: ALCO, Management Committee, Risk Committee and Executive Committee.		
Responsible for management	ALCO is the body that evaluates the implementation of the actions according to the proposals of the balance sheet management unit belonging to the Strategy and Finance area. It designs and executes the strategies to be implemented, in accordance with the tolerances set out in the risk appetite framework.		Strategy and Finance units implement strategies, managing their exposure in accordance with the limits set for the management metrics.
Control and management variables	Deviations from the budgeted net interest income (going concern dynamic model) and deviations from economic value (economic capital).	Solvency ratio, earnings and equity (economic capital).	Economic capital, exposure and earnings.
Management model	Decentralized and independent in each balance sheet management / liquidity management unit associated with the different geographical areas.	Consolidated for BBVA Group.	At management portfolio level of holding companies.

The elements shown in the above table are regulated by the relevant corporate management policies approved by the Executive Committee for each risk. Moreover, procedures are in place based on and developing these policies, guaranteeing that the processes in all management aspects are consistent with the established principles. With the implementation of a decentralized model structural interest-rate risks, each of the eleven balance sheet management units (BSMUs) are managed on an individual basis, in accordance with the corporate policy, and with specific control mechanisms.

The **contribution** of structural risks to the Group's map of capital at risk has remained stable from the previous year. It is worth noting that the risk arising from equity exposures lost weight in 2014, while the weight of structural interest-rate risk has increased.

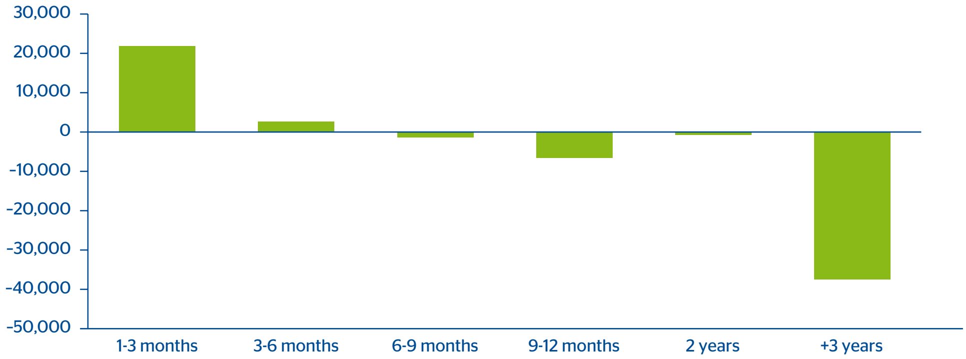
Structural interest-rate risk

Appropriate balance sheet management has kept BBVA's exposure to interest-rate fluctuations at moderate levels, consistent with the Group's target risk profile

Structural interest-rate risk (SIRR) is related to the potential impact that variations in market interest rates have on an entity's net interest income and equity. In order to properly measure SIRR, BBVA takes into account the main sources that generate this risk: repricing risk, yield curve risk, option risk and basis risk, which are analyzed from two complementary points of view: net interest income (short term) and economic value (long term). The accompanying chart shows the gaps in BBVA's structural balance sheet in euros, i.e. the risk that arises from different maturities or repricing of the assets and liabilities in the banking book.

Maturity and repricing gaps of BBVA's structural balance sheet in euros

(Million euros)



BBVA's structural interest-rate risk management procedure is based on a set of **metrics and tools** that enable the Entity's risk profile to be monitored properly. A wide range of scenarios are measured on a regular basis, including sensitivities to parallel movements in the event of different shocks, changes in slope and curve, as well as non-instant movements. Other probabilistic metrics based on statistical scenario-simulating methods are also assessed, such as income at risk (IaR) and economic capital (EC), which are defined as the maximum adverse deviations in net interest income and economic value, respectively, for a given confidence level and time horizon. Impact thresholds are established on these management metrics both in terms of deviations in net interest income and in terms of the impact on economic value. This is done in a differentiated manner for each currency to which the Group is exposed, considering later the diversification effect between currencies and business units.

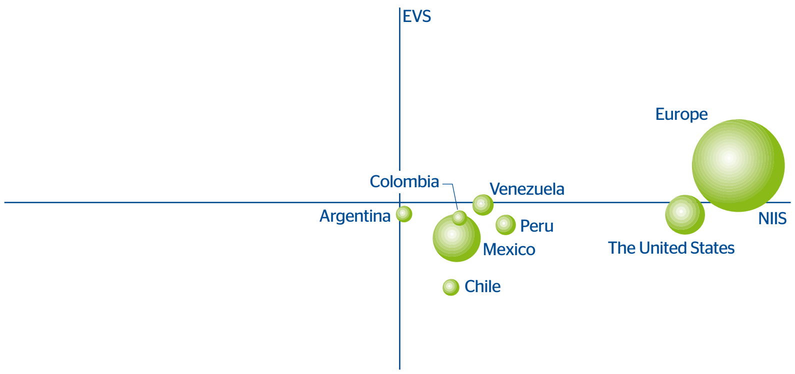
In order to guarantee its effectiveness, the model is subjected to regular internal validation, which includes **backtesting**. In addition, interest-rate risk measurements are subjected to stress testing in order to reveal balance sheet vulnerabilities under extreme scenarios. This testing includes an analysis of adverse macroeconomic scenarios designed specifically by BBVA

Research, together with a wide range of potential scenarios that aim to identify interest-rate environments that are particularly damaging for the Entity. This is done by generating extreme scenarios of a breakthrough in interest rate levels and historical correlations, giving rise to sudden changes in the slopes and even to inverted curves.

The model is necessarily underpinned by an elaborate set of **hypotheses** that aim to reproduce the behavior of the balance sheet as closely as possible to reality. Especially relevant within these assumptions are those related to the behavior of "accounts with no explicit maturity", for which stability and remuneration assumptions are established, consistent with an adequate segmentation by type of product and customer, and prepayment estimates (implicit optionality). The hypotheses are adapted regularly to evidence of changes in behavior, kept properly documented and reviewed on a regular basis in the internal validation processes.

The impacts on the **metrics** are assessed both from a point of view of economic value (gone concern) and from the perspective of net interest income, for which a dynamic model (going concern) consistent with the corporate assumptions of earnings forecasts is used.
The chart below shows the profile of sensitivities to net interest income and value of the main entities in BBVA Group.

BBVA Group. Structural interest-rate risk profile



NIIS: Net interest income sensitivity (in percentage) of the franchise to +100 basis points.
EVS: Economic value sensitivity (in percentage) of the franchise to +100 basis points.
Size: Core capital to each franchise.

In **2014**, stagnating growth in advanced economies has resulted in the continuation of accommodative monetary policies with the aim of boosting demand and investment, with interest rates in Europe and in the United States remaining at all-time lows. In Latin America, the slowdown in growth and the deterioration in external financial conditions have prompted the central banks to cut monetary policy rates.

BBVA Group's positioning in terms of its BSMUs as a whole has a positive sensitivity in its net interest income to interest rate hikes, while in terms of economic value the sensitivity is negative to interest rate increases, except for the euro balance sheet. Mature markets, both Europe and the United States, show greater sensitivity in terms of their projected net interest income against a parallel shock of interest rate. However, in 2014 this negative sensitivity to cuts has been confined by the limited downward trend in interest rates. In this interest-rate environment, appropriate management of the balance sheet has maintained BBVA's exposure at moderate levels, in accordance with the Group's target risk profile.

Structural exchange-rate risk

Structural exchange-rate risk in BBVA has been moderate in 2014 thanks to a management focused on the main currencies that have an impact on the Group's financial statements

In BBVA Group, structural exchange-rate risk arises from the consolidation of holdings in subsidiaries with functional currencies other than the euro. Its management is centralized in order to optimize the joint handling of permanent foreign currency exposures, taking into account the diversification.

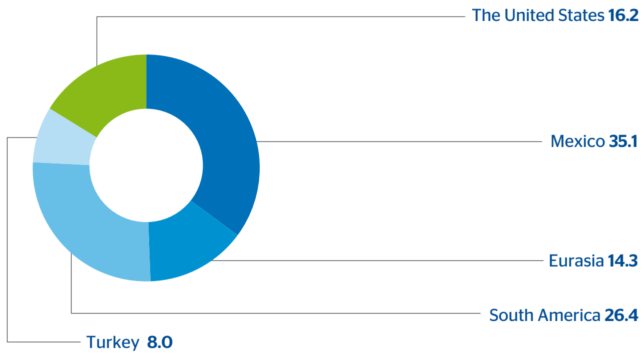
The corporate **Balance Sheet Management** unit, through ALCO, designs and executes the hedging strategies with the main purpose of controlling the potential negative effect of exchange-rate fluctuations on capital ratios and on the equivalent value in euros of the foreign-currency earnings of the different subsidiaries, considering the transactions according to market expectations and their cost.

The risk monitoring **metrics** included in the system of limits are integrated into management and supplemented with additional assessment indicators. At corporate level they are based on probabilistic metrics that measure the maximum deviation in capital, CET1 ratio, and net attributable profit. The probabilistic metrics make it possible to estimate the joint impact of the exposure to different currencies taking into account the different variability in currency rates and their correlations.

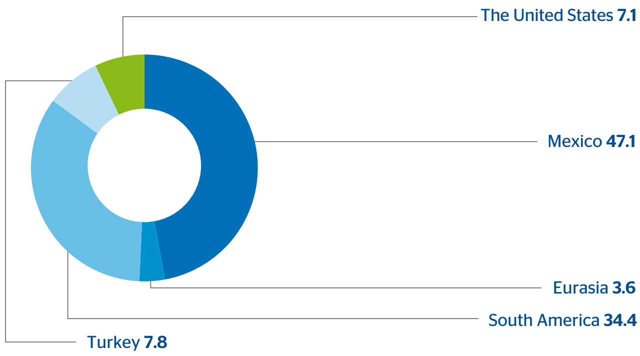
The suitability of these risk assessment metrics is reviewed on a regular basis through **backtesting** exercises. Structural exchange-rate risk control is completed with the analysis of scenarios and stress with the aim of identifying in advance possible threats to future compliance with the tolerance levels set, so that any preventive management actions necessary can be taken. The scenarios are based both on historical situations simulated by the risk model and on the risk scenarios provided by BBVA Research.

In **2014**, the most notable aspect in the foreign-exchange markets has been the strength of the United States dollar, which has led to the appreciation against the euro of the currencies in which the Group's exposure is concentrated, in particular the Mexican peso and the Turkish lira. However, this trend has slowed, basically in the last quarter of the year, due to the slump in oil prices, which has affected the currencies of the economies more dependent on this resource, mainly in South America and Mexico. This has led to an upturn in volatility in the foreign-exchange markets. Also worth mentioning is the more unfavorable performance of the Argentinean peso and the Venezuelan bolivar fuerte, affected by the imbalances in both economies. Thus, appropriate management focused on the main exposures has kept the Group's structural exchange-rate risk at moderate levels in 2014. The risk mitigation level of the book value of BBVA Group's foreign-currency holdings remained on average at 40%.

BBVA Group. Structural exchange-risk contribution to equity exposure
(Percentage)



BBVA Group. Structural exchange-risk contribution to Group's earnings (12 months)
(Percentage)



Structural equity risk

Structural management of equity portfolios is the responsibility of the Group's units specializing in this area. Their activity is subject to the corporate risk management policies for equity positions in the equity portfolio. The aim is to ensure that they are handled consistently with BBVA's business model and appropriately to its risk tolerance level, thus enabling long-term business sustainability.

The Group's risk **management systems** also make it possible to anticipate possible negative impacts and take appropriate measures to prevent damage being caused to the Entity. The risk control and limitation mechanisms are focused on the exposure, annual operating performance and economic capital estimated for each portfolio. Economic capital is estimated in accordance with a corporate model based on Monte Carlo simulations, taking into account the statistical performance of asset prices and the diversification existing among the different exposures.

Backtesting is carried out on a regular basis on the risk measurement model used.

2014 has been characterized by strong stock market performance in all the geographical areas. The Spanish stock markets performed particularly well against the European indices, above all the telecommunications sector, where a large part of BBVA's exposure is concentrated. This performance has boosted the returns on these investments and the levels of capital gains accumulated in the Group's equity portfolios.

Structural equity risk, measured in terms of economic capital, has remained at moderate levels thanks to active management of positions. As part of this management, the exposures are modulated through positions in derivatives of underlying assets of the same kind in order to limit portfolio sensitivity to potential falls in prices.

Stress tests and analyses of sensitivity to different simulated scenarios are carried out periodically to analyze the risk profile in more depth. They are based on both past crisis situations and forecasts made by BBVA Research. This checks that the risks are limited and that the tolerance levels set by the Group are not at risk.

BBVA's structural equity risk has also remained at moderate levels, thanks to active positions management

Liquidity and funding risk

The Strategy and Finance area, through the Balance Sheet Management unit, manages BBVA Group's liquidity and funding, planning and executing the funding of the long-term structural gap of each liquidity management unit (LMU) and proposing to ALCO the actions to adopt in this regard in accordance with the policies and limits established by the Executive Committee.

The main aspects of this risk in BBVA Group in terms of purpose, governance and management are described below.

Three core elements: to achieve an adequate volume of stable customer funds; proper diversification of the wholesale funding structure; and availability of sufficient collateral to address the risk of wholesale markets closing

Management	Liquidity risk	Funding risk
Purpose	In the short term, to meet the payment commitments on time and in an appropriate manner, without having to resort to funding under burdensome terms or under conditions that may damage the Institution's reputation.	In the medium and long term, to ensure that the Group's funding structure is appropriate and that its evolution is suitable regarding the economic situation, the markets and the regulatory changes, in accordance with the established risk appetite.
Governance	The Executive Committee approves the system of limits and alerts, following review by the Global Risk Management Committee and the Risk Committee. This approval transposes the tolerances approved by the Board of Directors into the management metrics of each risk. GRM prepares the proposal for the system of limits and alerts and performs structural risks control and monitoring. Among its functions, they include designing the measurement models and systems, developing the policies on corporate management, information and control, and preparing the risk measurements that underpin the Group's management. GRM reports regularly the management metrics to both the management and administration bodies: ALCO, Management Committee, Risk Committee and Executive Committee.	
Responsible for management	ALCO is the body that makes the decisions to act according to the proposals of the balance sheet management unit belonging to the Strategy and Finance area, which designs and executes the strategies to be implemented, in accordance with the tolerances set out in the risk appetite framework.	
Control and management variables	Availability of collateral to hedge against the risk of wholesale markets closing (basic capacity).	Funding of the loan portfolio through stable customer funds (loan-to-stable customer deposits ratio) and reliance on short-term funding.
Management model	Decentralized and independent in each balance sheet management unit/ liquidity management unit (LMU) associated with the different geographical areas.	

The Entity's **target behavior**, in terms of liquidity and funding risk, is measured through the loan-to-stable customer deposits (LtSCD) ratio, which shows the relationship between net loans and advances to customers and stable customer funds. The aim is to preserve a stable funding structure in the medium term for each of the LMUs making up BBVA Group, taking into account that maintaining an adequate volume of stable customer funds is key to achieving a sound liquidity profile.

For the purpose of establishing the (maximum) **target levels** for LtSCD in each LMU and providing an optimal funding structure reference in terms of risk appetite, the corporate Structural Risks unit of GRM identifies and assesses the economic and financial variables that condition the funding structures in the various geographical areas.

The second core element in liquidity and funding risk management is achievement of proper **diversification** of the wholesale funding structure, avoiding excessive reliance on short-term funding and establishing a maximum level of short-term wholesale borrowing.

The third element promotes the short-term resilience of the liquidity risk profile, making sure that each LMU has sufficient **collateral** available to address the risk of wholesale markets closing. Basic capacity is the short-term liquidity risk management and control metric that is defined as the relationship between the available explicit assets and the maturities of wholesale liabilities and volatile funds, at different terms, with special relevance being given to 30-day maturities.

The above metrics are completed with a series of **indicators** and thresholds that aim to avoid the concentration of wholesale funding by product, counterparty, market and term, as well as to promote diversification by geographical area. In addition, reference thresholds are established on a series of advance indicators that make it possible to anticipate stress situations in the markets and adopt preventive actions if necessary.

Stress analyses are also a basic element of the liquidity and funding risk monitoring system, as they help anticipate deviations from the liquidity targets and limits set out in the risk appetite. They also play a key role in the design of the Liquidity Contingency Plan and in defining the specific measures designed to realign the risk profile. For each of the scenarios, it is determined whether the Entity has a sufficient stock of liquid assets to ensure it can meet the liquidity commitments/outflows in the different periods analyzed. The analysis considers four scenarios: one core and three crisis-related (systemic crisis; unexpected internal crisis with a considerable rating downgrade and/or affecting the ability to issue in wholesale markets and the perception of business risk by the banking intermediaries and the bank's customers; and a mixed scenario, as a combination of the two aforementioned scenarios). Each scenario considers the following factors: liquidity existing on the market, sources of funding and customer behavior, impact of rating downgrades, market values of liquid assets and collateral, and the interaction between liquidity requirements and changes in the Bank's asset quality. The results of these stress analyses carried out regularly reveal that BBVA has a sufficient buffer of liquid assets to face the estimated liquidity outflows in a scenario such as a combination of a systemic crisis and an unexpected internal crisis with a major downgrade in the Bank's rating (up to three notches).

In **2014**, both long and short-term wholesale funding markets continued stable thanks to the positive trend in sovereign risk premiums and the setting of negative rates by the ECB for the marginal deposit facility, in an environment marked by greater uncertainty with respect to growth in the Eurozone, which has led to new measures by the ECB. At its meeting on June 5, 2014 the ECB announced non-standard measures aimed at increasing inflation and boosting credit while improving the financial conditions for the European economy as a whole. The first two TLTRO (targeted longer-term refinancing operations) auctions were held in September and December 2014. BBVA took €2,600m at each one. BBVA continues to maintain an adequate funding structure in the short, medium and long term, diversified by products. Issuances for €8,613m have been completed over the year and the position *vis-à-vis* the ECB has been reduced significantly, with early repayment of the total long-term refinancing operations (LTRO). In 2014, the improvement in the Bank's liquidity and funding profile has made it possible to increase the survival period in each of the stress scenarios analyzed.

BBVA continues to maintain an adequate funding structure in the short, medium and long term, diversified by products

The situation in the rest of the LMUs outside Europe has also been very positive, as the liquidity position has once again been reinforced in all the geographical areas in which the Group operates. Of particular note is the senior debt issue by BBVA Compass, which after seven years away from the markets has placed a total of US$ 1 billion at 3 and 5-year maturities with an excellent uptake by investors.

In this context of improved access to the markets, BBVA has maintained its objective of strengthening the funding structure of the different Group franchises on the basis of increasing their self-funding from stable customer funds while guaranteeing a sufficient buffer of fully available liquid assets, diversifying the various sources of funding available, and optimizing the generation of collateral for dealing with stress situations in the markets. The exposure to liquidity risk has been kept within the risk appetite and the limits approved by the Board of Directors.

Operational risk

Introduction

Operational risk arises from the possibility of human error, inadequate or faulty internal processes, system failures and/or as a result of external events. This definition includes legal risk, but excludes strategic and/or business risk and reputational risk.

Operational risk is inherent in all banking activities, products, systems and processes. Its origins are diverse (processes, internal and external fraud, technology, human resources, commercial practices, disasters, providers).

Operational risk management framework

Advanced measurement approach or AMA, the base for the operational risk management in BBVA

Operational risk management, which is integrated into the global risk management structure of BBVA Group, is based on the following levers of value generated by the **advanced measurement approach** (AMA):

- Active management of operational risk and its integration into day-to-day decision-making means:
  - Knowledge of the real losses associated with this type of risk.
  - Identification, prioritization and management of real and potential risks.
  - The existence of indicators that enable the Bank to analyze operational risk over time, define warning signals and verify the effectiveness of the controls associated with each risk.

  The above helps create a proactive model for making decisions about control and business, and for prioritizing the efforts to mitigate relevant risks in order to reduce the Group's exposure to extreme events.

- Improved control environment and strengthened corporate culture.
- Generation of a positive reputational impact.

Operational risk management principles

Operational risk management in BBVA Group should:

- Be aligned with the risk appetite statement set out by the Board of Directors of BBVA.
- Anticipate the potential operational risks to which the Group would be exposed as a result of new or modified products, activities, processes or systems or outsourcing decisions and establish procedures to enable their evaluation and reasonable mitigation prior to their implementation.
- Establish methodologies and procedures to enable a regular reassessment of the relevant operational risks to which the Group is exposed in order to adopt appropriate mitigation measures in each case, once the identified risk and the cost of mitigation (cost/benefit analysis) have been considered, while preserving the Group's solvency at all times.

- Identify the causes of the operational losses sustained by the Group and establish measures to reduce them. Procedures must therefore be in place to enable the capture and analysis of the operational events that cause those losses.

- Analyze the events that have caused operational risk losses in other institutions in the financial sector and promote, where appropriate, the implementation of the measures needed to prevent them from occurring in the Group.

- Identify, analyze and quantify events with a low probability of occurrence and high impact. Due to their exceptional nature, it is possible that such events may not be included in the loss database or, if they are, they have impacts that are not representative in order to ensure their mitigation.

- Have an effective system of governance in place, where the functions and responsibilities of the areas and bodies involved in operational risk management are clearly defined.

These **principles** reflect BBVA Group's vision of operational risk. They are based on the idea that the events resulting from operational risk have an ultimate cause that should always be identified, and by controlling that cause the impact of the events is reduced significantly.

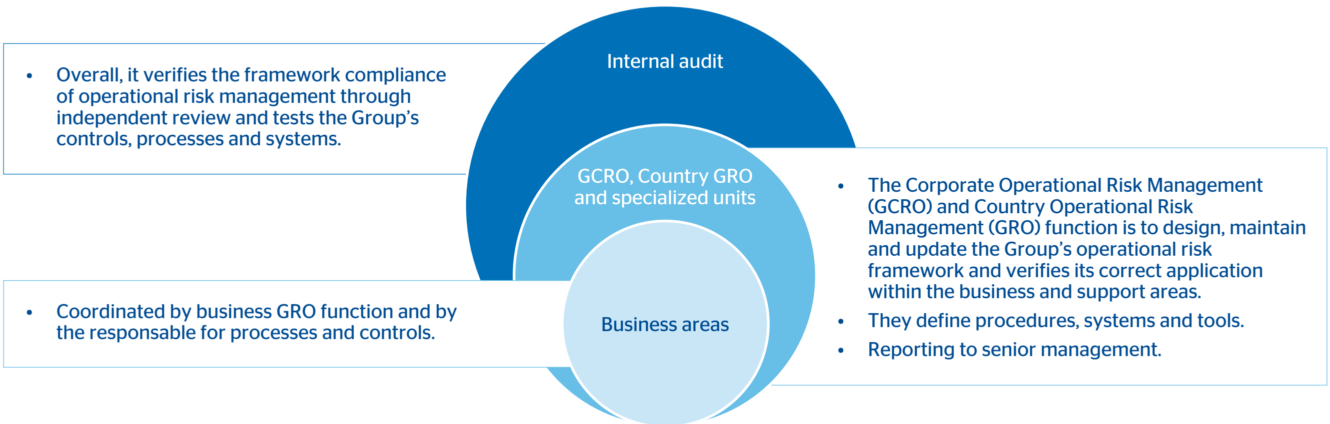
Irrespective of the adoption of all the possible measures and controls for preventing or reducing both the frequency and severity of operational risk events, BBVA ensures at all times that sufficient capital is available to cover any expected or unexpected losses that may occur.

The events caused by operational risk have an ultimate cause that needs to be identified and managed to reduce their impact

Three lines of defense in operational risk management

Operational risk **management** in BBVA is designed and coordinated by the Corporate Operational Risk Management (GCRO) unit, which is part of GRM, and by the Operational Risk Management (GRO) units, located in the risks departments of the different countries (Country GRO). The business or support areas, in turn, have operational risk managers (Business GRO) who report to the Country GRO and are responsible for implementing the model in the day-to-day activities of the areas. This gives the Group a view of risks at the process level, where risks are identified and prioritized and mitigation decisions are made. By aggregation, this system provides an overall view at a variety of levels.

Lines of defense in operational risk management



Finally, the **control** of operational risk management is reinforced by an internal audit process that independently verifies compliance and tests the Group's controls, processes and systems.

Committee structure

Each business and support unit has one or more **GRO committees** that meet on a quarterly basis. These committees analyze operational risks and take the appropriate mitigation decisions.

In addition, a system called Corporate Assurance has been designed as one of the components of the Group's internal control model. It undertakes a general monitoring of the main control weaknesses submitted to the **Corporate Assurance Operating Committee** (COCA) at country level, and to the **Global Corporate Assurance Committee** (CGCA) at holding level.

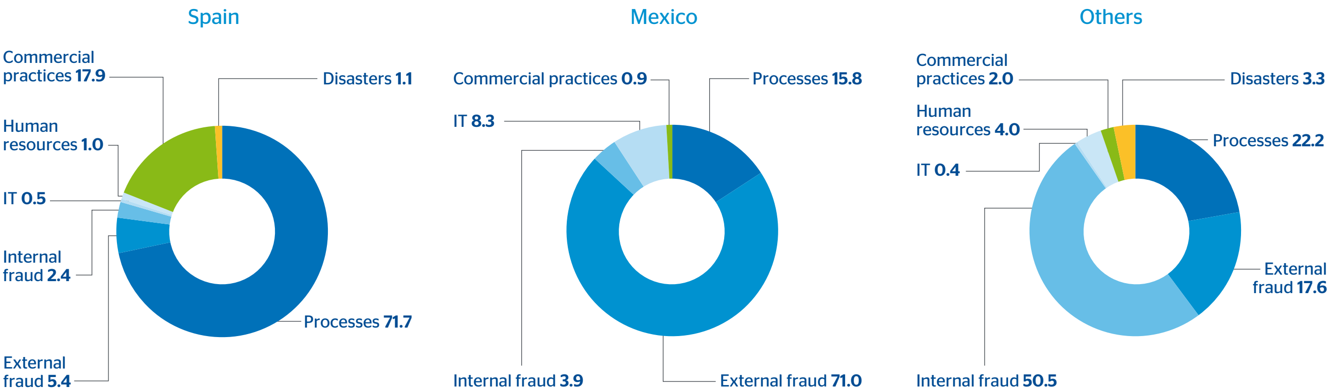
Committee structure

The Group's operational risk profile

The charts below provide a historical distribution of operational risk losses in the different geographical areas where BBVA operates, classified by type of risk.

Historical distribution of losses by types of risk

(Percentage)



Operational risk capital in 2014

The **methodology** used by BBVA to calculate capital using advanced internal models (AMA) is the so-called loss distribution approach (LDA), considered the most robust from a statistical point of view among those permitted by the Basel Committee. This methodology is fed by three data sources: the Group's internal operational loss database, events occurring in the domestic and international financial sector (external database), and simulated events (also called scenarios). BBVA's application of AMA models has been approved for Spain and Mexico.

The **capital** resulting from the application of the advanced models is corrected by factors related to the country environment and by internal control factors, based on the variation of metrics on changes in operational risks.

Economic capital by operational risk

(Million euros)

Risk class	Capital	Method
Spain	694	AMA
Mexico	375	AMA
Others	942	Standard
Total	**2,011**	

Social, environmental and reputational risks

In the risk analysis and decision-making processes, BBVA assesses and takes into consideration not only financial aspects, but also social, environmental and reputational factors

Financial and non-financial factors, such as those of a social, environmental and reputational nature, can affect the credit profile of the borrowers and of the projects financed by the Bank and, therefore, the quality of the risk taken. Thus, they need to be taken into account in the risk analysis and decision-making processes.

These factors are integrated in accordance with the principle of prudence that governs BBVA's activity, through a number of lines of action.

In 2014, BBVA set up a Reputational Risk Operating **Committee** to drive the management of this type of risk in the Group. It includes the areas of Operational Risk and Control, Regulatory Compliance, Corporate Communication and Corporate Responsibility and Reputation, with the last acting as secretary. The Committee meets both at global level and in the various geographical areas. The Committee is responsible for designing the reputational risk management model, promoting its adequate implementation in BBVA Group and reporting to the Planning Committee.

BBVA has incorporated the best practices in responsible granting of consumer loans and credits and has **policies and procedures** in place that improve the transparency of the banking services and responsibility when granting loans. Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Bank's Board of Directors on April 3, 2013) and the Specific Rules that derive from it set out the policies, methods and procedures in relation to the responsible granting of loans to consumers, which can be summed up as:

- The need to adapt the payment plans to the sources of income generation.
- The requirements for assessing the ability to pay.
- The need to take into account the foreseeable level of income once the borrower has retired.
- The need to take into consideration the payment of existing financial obligations.
- In cases where appropriate for commercial reasons or because of the type of interest rate or currency, borrowers are offered the inclusion of contractual clauses or financial products to hedge against the interest-rate and exchange-rate risks.
- When collateral exists, the need to establish a prudent relationship between the amount of the loan and any potential increase to it, and the value of the collateral, without taking into account the revaluations of the latter.
- The need to be very prudent when using appraisal values in credit transactions with real-estate assets as collateral in addition to the borrower's personal security.
- Regular review of the value of the collateral accepted to cover loans granted.
- A set of management elements designed to ensure independence in the activity of appraisal companies.
- The need to inform the customer of the potential consequences of default in terms of cost, interest on arrears and other expenses.
- The debt renegotiation criteria (refinancing and restructuring).
- The minimum documentation required for granting the transactions and during their term.

BBVA has the following mechanisms in place to **control** the appropriate compliance with the aforementioned policies:

- Computer controls and validations incorporated into the transaction analysis, decision-making and contracting workflows.

- Alignment between the specifications of the product catalog and the responsible lending policies.
- Different types of penalties that ensure decisions are checked at an appropriate level, based on the complexity of the transactions.
- A reporting scheme to monitor proper application of the responsible lending policies.

BBVA applies, since 2004, the **Equator Principles** (EP), a benchmark in the financial sector for the assessment and management of the environmental and social risks of the projects it finances. And it does so with a broader scope than the standard, reviewing all the transactions under the EPs, irrespective of their amount. It also applies them to projects at the operational stage and those financed with other financial products (project bonds, assignment of credit claims and project-linked guarantees).

BBVA is committed to providing finance and guidance for **renewable energy** operations, a sector in which it is a leader.

In addition, the Bank uses the "**Ecorating**" tool to value the risk portfolio of companies from an environmental point of view. Each customer is assigned a credit risk rating according to a combination of various factors such as its location or polluting emissions.

As regards **training** on these matters, in 2014 work continued on the virtual training program on Environmental and Social Risks Analysis given by UNEP FI (the United Nations Environment Program Financial Initiative). Over the year, eleven BBVA risk analysts from ten countries have received the online training (30 hours of courses).

Since 2005, BBVA has a **defense policy** in place, applicable to all of its geographical and business areas worldwide, that complies with current legislation and has been subject to an ongoing review in order to adapt it to the most stringent criteria. A more in-depth review was conducted in 2011 to extend its scope, increase its clarity and simplicity, and ensure compliance therewith, in line with the needs revealed by the internal audit carried out the previous year. A working group was set up for this purpose, made up of all the areas involved, and advice was provided by a renowned external consultant (Sustainalytics). There has also been ongoing dialog with NGOs and relevant stakeholders in this sector. The application of the policy rules, which came into force in February 2012, is based on exclusion lists of companies and countries which are updated on a quarterly basis by our adviser Sustainalytics. Under these rules, BBVA does not finance, invest in or provide any financial service to companies related to the manufacture, development, maintenance or trade in controversial armaments, meaning anti-personnel mines, cluster bombs or biological and chemical weapons. Nor does BBVA participate in armament-related operations that originate in or are targeted at countries where there is a high risk of human rights violation. In 2013, these rules and the internal procedure defined for their application were adapted and implemented within the corporate framework across the entire Group. A new process for reviewing the rules was opened in April 2014, also with the participation of all the areas involved and the advice of Sustainalytics. It ended in June with the approval by the Global Risk Management Committee of a new version that incorporates improvements in the identification of armament-related companies and in the processing of wealth management. The lists of companies related to controversial armaments, countries under arms embargoes and countries with a high risk of violating human rights are updated on a quarterly basis. The adaptation of the rules to the Group's different areas is also monitored on a quarterly basis.

In 2014, BBVA joined the **Green Bond Principles**, which establish standards to guide issuers on the key components of issuance, project assessment and fund management; to ensure that information is available to investors; and to facilitate market transactions for underwriters.

It is also worth noting that BBVA has signed the **Global Investor Statement on Climate Change** this year. This statement, which has been signed by nearly 350 investors and with more than USD 24 trillion in assets, recognizes the role played by investors in funding clean energy projects, the need for a global agreement on climate, and the fact that significant capital will be required to finance the transition to a low-carbon economy.

By joining these initiatives and principles, BBVA has taken a further step in the context of responsible banking, in line with its business model based on the principles of integrity, transparency and prudence.

Business areas

Business areas

This chapter presents and analyzes the most relevant aspects of the Group's different areas. Specifically, it shows the income statement, the balance sheet, the business activity and the most significant ratios in each of them: loan book, customer deposits under management, mutual funds and pension funds, efficiency ratio, NPA ratio, coverage ratio and cost of risk.

In 2014, the **reporting structure** of the BBVA Group's business areas is basically the same as that reported in 2013:

- **Banking activity in Spain**, which as in previous years includes: The Retail Network, with the segments of individual customers, private banking and small businesses; Corporate and Business Banking (CBB), which handles the SMEs, corporations and institutions in the country; Corporate & Investment Banking (CIB), which includes business with large corporations and multinational groups and the trading floor and distribution business in the same geographical area; and other units, among them BBVA Seguros and Asset Management (management of mutual and pension funds in Spain). It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- **Real-estate activity in Spain**. This area basically covers lending to real-estate developers and foreclosed real-estate assets in the country.

- **The United States** encompasses the Group's businesses in the United States.

- **Eurasia**, which includes the business carried out in the rest of Europe and Asia, i.e. the Group's retail and wholesale businesses in the area. It also includes BBVA's stakes in the Turkish bank Garanti and the Chinese banks CNCB and CIFH (a sell agreement on the later stake was signed in December 2014 and its execution is subject to the pertinent authorizations). However, the equity-accounted income of CNCB (excluding the dividends) from its acquisition until the conclusion of the new agreement with the CITIC Group in the fourth quarter of 2013 (which included the sale of 5.1% of the stake in CNCB) has been reclassified in the Corporate Center under the heading "Results from corporate operations".

- **Mexico** includes the banking and insurance businesses in the country.

- **South America** includes the banking and insurance businesses that BBVA carries out in the region. In the first quarter of 2014, the historical series in this area has been reconstructed to exclude the business in Panama, which was sold in the fourth quarter of 2013, and include it in the Corporate Center.

In addition to the above, all the areas include a remainder made up of other businesses and of a supplement that includes deletions and allocations not assigned to the units making up the above areas.

Lastly, the **Corporate Center** is an aggregate that contains the rest of the items that have not been allocated to the business areas, as it basically corresponds to the Group's holding function. It groups together the costs of the head offices that have a corporate function; management of structural exchange-rate positions, carried out by BBVA's Strategy and Finance area; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with pensioners; goodwill and other intangibles. It also comprises the result from certain corporate operations carried out over the previous years, such as the earnings and capital gains from the pension business disposals in Latin America during 2013; those from BBVA Panama taking into consideration the capital gain from its disposal (in the fourth quarter); and the effect of the repricing of the stake in CNCB to market value following the signing in the fourth quarter of 2013 of the agreement with the CITIC group, which included the sale of 5.1% of the stake in CNCB. It also includes the equity-accounted earnings from CNCB (excluding the dividends) for the years 2013 and 2012. Lastly, the data for 2012 includes BBVA Puerto Rico's financial statements until its sale completed in December 2012.

In addition to this geographical breakdown, supplementary information is provided for all the wholesale businesses carried out by BBVA, i.e. Corporate & Investment Banking (CIB). This aggregate business is considered relevant to better understand the BBVA Group because of the characteristics of the customers served, the type of products offered and the risks assumed.

Lastly, as usual, in the case of the Americas and Eurasia (basically Garanti), the results of applying constant exchange rates are given in addition to the year-on-year variations at current exchange rates.

The Group compiles information by areas based on units at the same level, and all the accounting data related to the business they manage are recorded in full. These basic units are then aggregated in accordance with the organizational structure established by the Group for higher-level units and, finally, the business areas themselves. Similarly, all the companies making up the Group are also assigned to the different units according to the geographical area of their activity.

Once the composition of each business area has been defined, certain management criteria are applied, of which the following are particularly important:

- Capital. Capital is allocated to each business according to economic risk capital (ERC) criteria. This is based on the concept of unexpected loss at a specific confidence level, depending on the Group's capital adequacy targets. The calculation of the ERC combines credit risk, market risk (financial assets held for trading and structural balance-sheet), equity positions, operational risk, fixed-asset risk and technical risks in the case of insurance companies. These calculations are carried out using internal models that have been defined following the guidelines and requirements established under the Basel III capital accord, with economic criteria taking precedence over regulatory ones.

  ERC is risk-sensitive and thus linked to the management policies of the businesses themselves. It standardizes capital allocation between them in accordance with the risks incurred. In other words, it is calculated in a way that is standard and integrated for all kinds of risks and for each operation, balance or risk position, allowing its risk-adjusted return to be assessed and an aggregate to be calculated for profitability by client, product, segment, unit or business area.

- Internal transfer prices. Within each geographical area, internal transfer rates are applied to calculate the net interest income of its businesses, under both the asset and liability headings. These rates are composed of a market rate that depends on the operation's revision period, and a liquidity premium that aims to reflect the conditions and outlook for the financial markets in each area. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

- Allocation of operating expenses. Both direct and indirect costs are allocated to the business areas, except where there is no clearly defined relationship with the businesses, i.e. when they are of a clearly corporate or institutional nature for the Group as a whole.

- Cross-selling. In some cases, consolidation adjustments are required to eliminate shadow accounting entries in the earnings of two or more units as a result of cross-selling incentives.

Mayor income statements items by business areas

(Million euros)

		Business areas							
	BBVA Group [1]	Banking activity in Spain	Real-estate activity in Spain	The United States	Eurasia [1]	Mexico	South America	∑ Business Areas	Corporate Center
2014									
Net interest income	15,116	3,830	(38)	1,443	924	4,910	4,699	15,767	(651)
Gross income	21,357	6,622	(132)	2,137	1,680	6,522	5,191	22,020	(664)
Operating income	10,406	3,777	(291)	640	942	4,115	2,875	12,058	(1,653)
Income before tax	4,063	1,463	(1,225)	561	713	2,519	1,951	5,983	(1,920)
Net attributable profit	**2,618**	**1,028**	**(876)**	**428**	**565**	**1,915**	**1,001**	**4,062**	**(1,444)**
2013									
Net interest income	14,613	3,838	(3)	1,402	909	4,478	4,660	15,284	(671)
Gross income	21,397	6,103	(38)	2,047	1,717	6,194	5,583	21,607	(210)
Operating income	10,196	3,088	(188)	618	981	3,865	3,208	11,573	(1,378)
Income before tax	2,750	230	(1,838)	534	586	2,358	2,354	4,225	(1,474)
Net attributable profit	**2,228**	**589**	**(1,252)**	**390**	**449**	**1,802**	**1,224**	**3,201**	**(973)**
2012									
Net interest income	15,122	4,729	(21)	1,550	851	4,174	4,236	15,519	(397)
Gross income	21,892	6,659	(79)	2,198	1,665	5,751	5,308	21,501	391
Operating income	11,106	3,776	(209)	722	886	3,590	3,023	11,787	(681)
Income before tax	749	1,651	(5,705)	620	508	2,223	2,234	1,532	(783)
Net attributable profit	**1,676**	**1,186**	**(4,068)**	**445**	**404**	**1,687**	**1,172**	**826**	**850**

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.

Recurrent economic profit by business areas

(January-December 2014. Million euros)

	Net attributable profit	Economic profit (EP)
Banking activity in Spain	1,054	269
Real-estate activity in Spain	12	(69)
The United States	291	68
Eurasia	500	61
Mexico	2,129	1,562
South America	722	287
Corporate Center	(812)	(869)
Total Group	**3,897**	**1,308**

Banking activity in Spain

Highlights in 2014

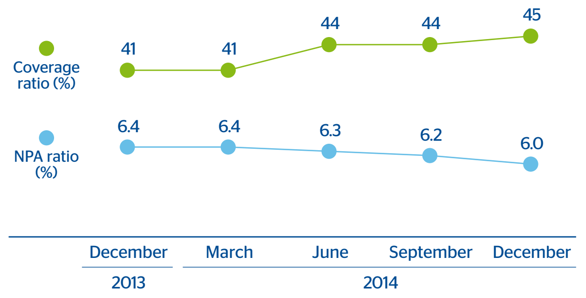
- Customer spread improvement.
- Lower costs due to transformation and efficiency plans.
- Improvement in cost of risk and asset quality.

Activity [1]

Year-on-year changes, balances as of 31-12-2014

-1.3%	+1.7%
Loans	Customer funds

Risks



Results

2014. Million euros

Net interest income	3,830	-0.2%
Gross income	6,622	+8.5% [2]
Operating income	3,777	+22.3% [2]
Net attributable profit	1,028	+74.7% [2]

(1) Loans under management (including funding for segments managed by CBB through fixed-income) and customer deposits under management (excluding repos).
(2) Figures without the restatement following the change in the accounting policy relating to contributions to the Deposit Guarantee Fund in Spain.

Income statement

(Million euros)

	Banking activity in Spain			
	2014	Δ% [1]	2013 [1]	2012
Net interest income	**3,830**	**(0.2)**	**3,838**	**4,729**
Net fees and commissions	1,454	5.7	1,376	1,363
Net trading income	1,149	42.4	807	254
Other income/expenses	189	129.6	82	313
Gross income	**6,622**	**8.5**	**6,103**	**6,659**
Operating expenses	(2,845)	(5.6)	(3,014)	(2,883)
Personnel expenses	(1,707)	(7.8)	(1,851)	(1,794)
General and administrative expenses	(1,034)	(1.8)	(1,052)	(991)
Depreciation and amortization	(105)	(5.3)	(111)	(99)
Operating income	**3,777**	**22.3**	**3,088**	**3,776**
Impairment on financial assets (net)	(1,690)	(34.4)	(2,577)	(1,853)
Provisions (net) and other gains (losses)	(623)	121.3	(282)	(272)
Income before tax	**1,463**	**n.m.**	**230**	**1,651**
Income tax	(432)	n.m.	(62)	(462)
Net income from ongoing operations	**1,032**	**n.m.**	**168**	**1,189**
Results from corporate operations	-	-	440	-
Net income	**1,032**	**69.7**	**608**	**1,189**
Non-controlling interests	(4)	(81.8)	(20)	(3)
Net attributable profit	**1,028**	**74.7**	**589**	**1,186**
Net attributable profit (excluding the results from corporate operations)	**1,028**	**n.m.**	**149**	**1,186**

(1) Figures without the restatement following the change in the accounting policy relating to contributions to the Deposit Guarantee Fund in Spain.

Balance sheet

(Million euros)

	Banking activity in Spain			
	31-12-14	Δ% [1]	31-12-13 [1]	31-12-12
Cash and balances with central banks	11,389	6.1	10,736	10,736
Financial assets	99,483	(8.0)	108,190	108,197
Loans and receivables	189,558	(7.6)	205,163	205,454
Loans and advances to customers	173,047	(8.5)	189,065	189,288
Loans and advances to credit institutions and others	16,510	2.6	16,098	16,166
Inter-area positions	13,859	(24.7)	18,408	18,621
Tangible assets	781	(5.7)	828	826
Other assets	492	(75.9)	2,037	1,687
Total assets/Liabilities and equity	**315,561**	**(8.6)**	**345,362**	**345,521**
Deposits from central banks and credit institutions	57,562	(13.2)	66,321	65,608
Deposits from customers	157,466	8.5	145,164	146,008
Debt certificates	49,281	(28.3)	68,748	68,782
Subordinated liabilities	2,411	(31.7)	3,531	3,531
Inter-area positions	-	-	-	-
Financial liabilities held for trading	38,435	(20.6)	48,377	48,377
Other liabilities	814	(31.9)	1,195	1,381
Economic capital allocated	9,592	(20.2)	12,027	11,834

(1) Figures without the restatement following the change in the accounting policy relating to contributions to the Deposit Guarantee Fund in Spain.

Relevant business indicators

(Million euros and percentage)

	Banking activity in Spain		
	31-12-14	31-12-13	31-12-12
Performing loans (1)	166,446	168,594	184,902
Customer deposits under management (2)	138,647	136,295	119,703
Mutual funds	28,695	22,298	19,116
Pension funds	21,880	20,428	18,577
Efficiency ratio (%)	43.0	49.4	43.3
NPA ratio (%)	6.0	6.4	4.1
NPA coverage ratio (%)	45	41	48
Cost of risk (%)	0.95	1.36	0.95

(1) Includes funding for segments managed by CBB through fixed-income.
(2) Excluding repos.

Definition of the area

This area includes the banking business of BBVA Group in the country, including the insurance and fund management activities. It also includes the portfolios, funding and structural interest-rate positions of the euro balance sheet managed by ALCO.

Banking activity in Spain serves 9.8 million customers. It has a distribution network, with 3,112 branches and 5,909 ATMs.

Macro and industry trends

The latest activity data for the Spanish **economy** confirms the path toward recovery. Improved domestic demand (mainly private) has been based on temporary factors (reduction in uncertainty), greater support from fiscal and monetary policies, and on structural factors such as the progress made in correcting internal imbalances and on some of the reforms carried out over recent years. Against this backdrop, GDP increased 1.4% in 2014. There are several reasons behind this improvement in the backdrop.

The economy is on the path toward recovery

- First, a reduction in financial tension, which consolidated the trend observed in 2013 and, to a certain extent, is due to the policy decisions made in both Europe and Spain.

- Moreover, exports continued to grow despite the stagnation in the Eurozone. This has demonstrated the increase in competitiveness and the diversification of the exports' destinations, which in turn has led to a standout performance of Spanish companies' sales abroad.

- On the other hand, the reduced uncertainty has led to lower household precautionary savings and a boost to the growth of private consumption. This has been the result of the observed increase in financial wealth, the trend toward stabilization in the price of housing and, above all, the turning point in the labor market, where job creation has already begun.

- In addition, domestic demand has benefited from a less contractive fiscal policy; some stimuli have even been implemented, while the cyclical improvement of revenue and expenditure, together with the reduction in interest rates, have made it possible to meet the fiscal targets.

- Lastly, monetary policy has begun to adapt to the situation of the Spanish economy, as the flows of new credit and the cost of funding have started to support household and small business demand.

However, it is worth noting that the imbalances facing the Spanish economy are still significant. For example, at the end of third quarter of 2014 the unemployment rate stands at 23.7% and public and net foreign debt stands at 96.4% of GDP. Reducing these imbalances requires higher growth rates, and the implementation of reforms to improve the operation of the goods and services markets is therefore essential.

Of note with respect to the **financial sector** is the end of the financial assistance program, which officially expired on January 22. In line with the planned timetable, Spain implemented all the restructuring measures agreed with the "Troika" (the European Commission, ECB and International Monetary Fund). Since then, progress has been made in restructuring the system, with the disposal of government stakes in entities that required public money and the privatization of Catalunya Banc.

As regards **structural reforms**, Royal Decree-Law 4/2014 reforming the insolvency law has streamlined the processes and made them more flexible for reaching refinancing agreements and eliminating rigidities in the insolvency and pre-insolvency regulations. This law will help restructure the debt of operationally viable companies.

Incipient recovery in demand for loans

The **deleveraging** process continues, although the flow of new credit operations to households and small companies for under one million euros to the retail segment continues to improve on the previous year. In November 2014, the decline in the stock of loans to the private sector stood at 5.8% in year-on-year terms. Moreover, the total figure for non-performing loans has fallen for the tenth month in a row, and the NPA ratio stood at 12.75% at the close of November (compared with 14.0% in early 2014).

The **liquidity** situation in the banking system and its funding structure have improved since the start of the year, and net funding obtained from the ECB has fallen.

The publication of the results of the comprehensive assessment of the European banking system demonstrated the robustness of the Spanish banking system

Solvency ratios have also improved as a result of the internal generation of earnings, the deleveraging process and capital increases. In this regard, the publication of the results of the comprehensive assessment of the European banking system in October 2014 demonstrated the robustness of the Spanish banking system. The asset quality review (AQR) identified a reduced volume of adjustments required (€2.2 billion, i.e. 14 basis points of CET1 capital, the lowest in Europe) and the resilience of the banks' capital to the stress tests was very high. In the adverse scenario, the Spanish banks had the second smallest fall in the capital ratio after Estonia. Only one Spanish bank showed a capital shortfall, which was already addressed in 2014 with a capital increase.

Management priorities

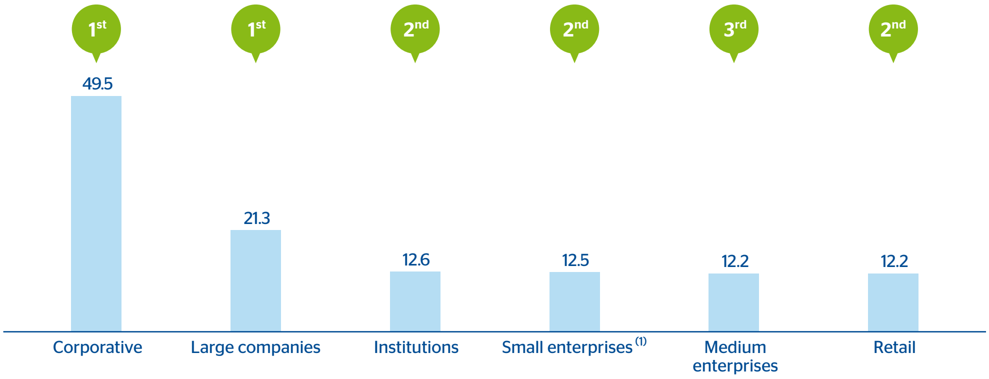
BBVA has demonstrated and will continue to demonstrate its leadership and focus on increasing the customer base and loyalty

In **2014**, the area's commercial activity has taken place in a more normal competitive environment. However, strong pressure on profit margins has persisted, mainly as a result of an environment of all-time low interest rates, greater regulation, continued low levels of demand for loans and much more demanding customers. Against this complicated backdrop, BBVA once more demonstrated its position of leadership:

- Quarter-on-quarter improvement in more recurring revenue, with two main drivers: good management of prices and the contribution from fees and commissions related to liability products.

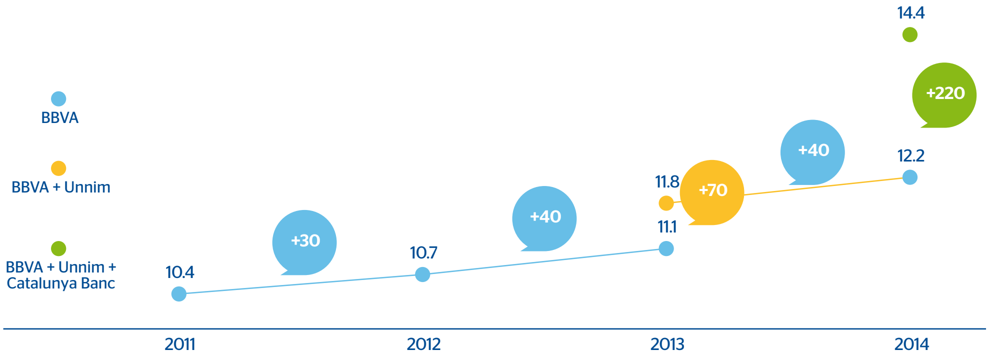
- Maintenance of the same rate of growth in customer share as in the years of crisis. Proof of this is that the Bank's customer market share as main finance provider has risen by 40 basis points to 12.2% over the last 12 months according to FRS (data as of June 2014, the latest available).

Banking activity in Spain. Main financial services provider market share
(Percentage and ranking)



(1) Includes business professionals.
Source: FRS with figures as of 31-Dec-2014.

Banking activity in Spain. Customers market share evolution of FRS main finance provider (Percentage and basis points as of June 2014)



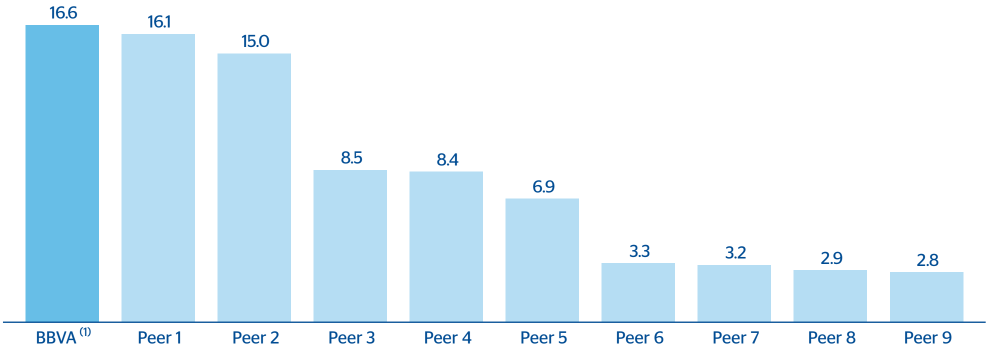
- The cost of risk returning to normal.
- And the awarding of Catalunya Banc in the auction process conducted by the Fund for Orderly Bank Restructuring (FOBR). With this operation, BBVA doubles its market share in Catalonia, an economically dynamic and attractive region, adds 1.5 million customers, and is now the sector's leading player in Spain.

Highlights of the Catalunya Banc acquisition

- Acquisition of a clean-up institution with a solid **customer franchise**.
- **Doubling market share in Catalonia** and improving market share in Spain.
- Attractive returns with manageable capital impacts.

Banking activity in Spain. Market share by business volume and ranking

(Percentage and ranking)



(1) Includes Catalunya Banc.
Peer group: includes Bankia, Bankinter, Caixabank, Ibercaja, Kutxa Bank, Popular, Sabadell, Santander y Unicaja.
Source: AEB and CECA. Loans and deposits from customers, figures as of June 2014.

Looking ahead to the **future**, BBVA will continue to demonstrate its position of leadership with a clear roadmap focused on increasing the customer base and its loyalty. The area will continue to make progress in its transformation process, which will enable it to anticipate the rules of the game of banking in the future, improve its efficiency and, above all, provide a better experience for its customers.

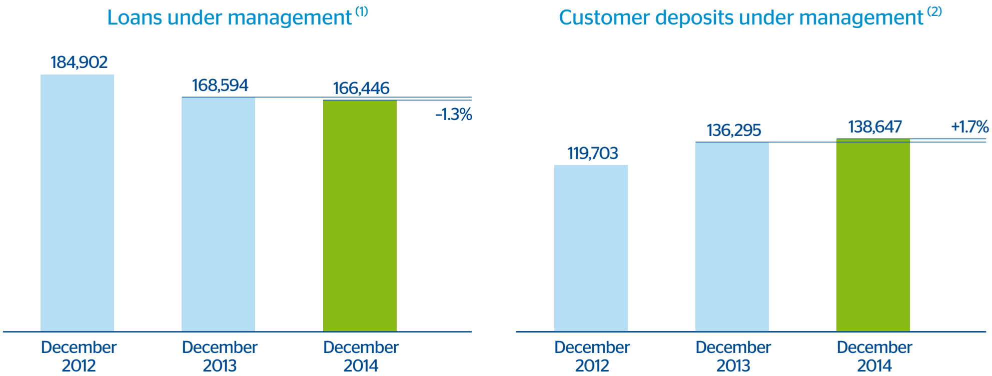
Activity analysis

More positive performance of demand for loans, improvement in risk indicators and favorable trend in customer funds

The increase in new loan production seen over the year is the result of increased demand for finance, although the higher production still does not offset the maturities of the current stock. Thus, the volume of **loans** under management by the area continues to decline, although at a much slower pace than in previous periods (down 1.3% year-on-year) in practically all the portfolios. In the last quarter of the year, consumer finance has grown quarter-on-quarter (up 1.4%, including credit cards). This improvement in demand for finance is expected to consolidate further in 2015, underpinned by stronger economic activity in the country.

Banking activity in Spain. Key activity data

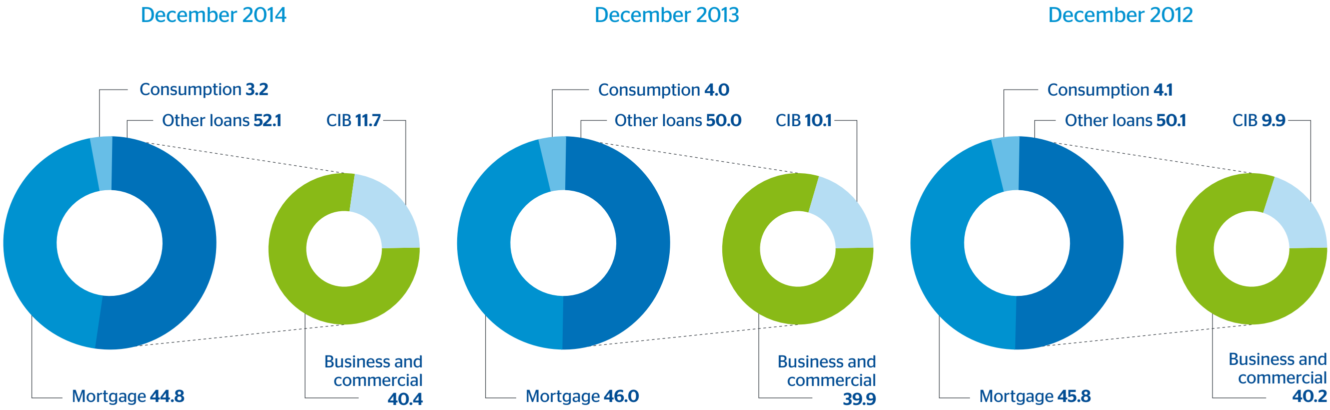
(Million euros)



(1) Includes funding for segments managed by CBB through fixed-income.
(2) Excluding repos.

Banking activity in Spain. Loans under management breakdown

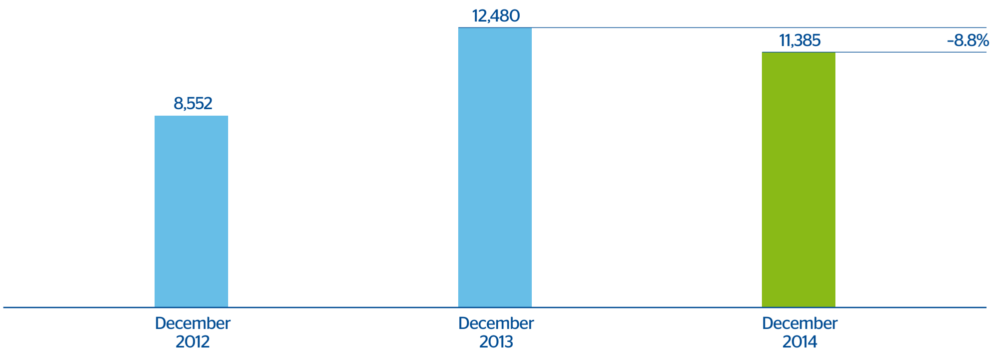
(Percentage)



Asset quality continues to improve, thanks to the excellent trend in net additions to NPA, which left the NPA ratio at the close of the year at 6.0%. This figure represents a fall of 42 basis points over the last 12 months. The coverage ratio increased to 45% (41% as of 31-Dec-2013).

Banking activity in Spain. Non-performing assets

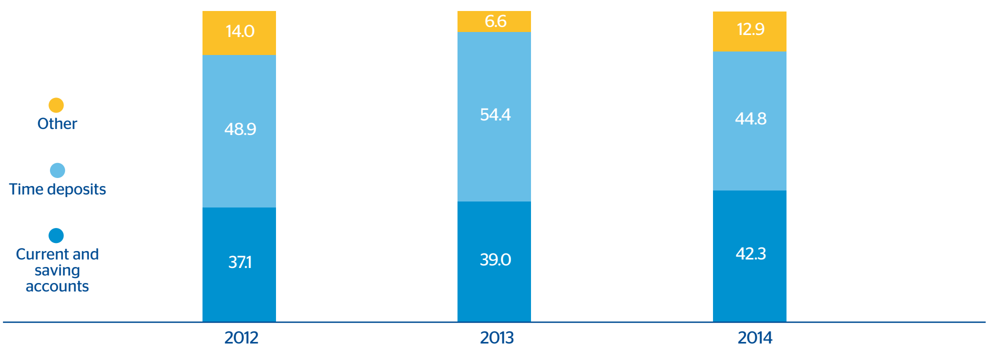
(Million euros)



The trend in customer **deposits** under management is also favorable, but varies between products. The reduction in the remuneration paid for time deposits has led to funds being shifted toward saving accounts and mutual funds. This downward correction to the cost of time deposits and the greater weight of transactional products in the fund mix are generating a positive effect on the net interest income in the area.

Banking activity in Spain. Breakdown of customer deposits under management

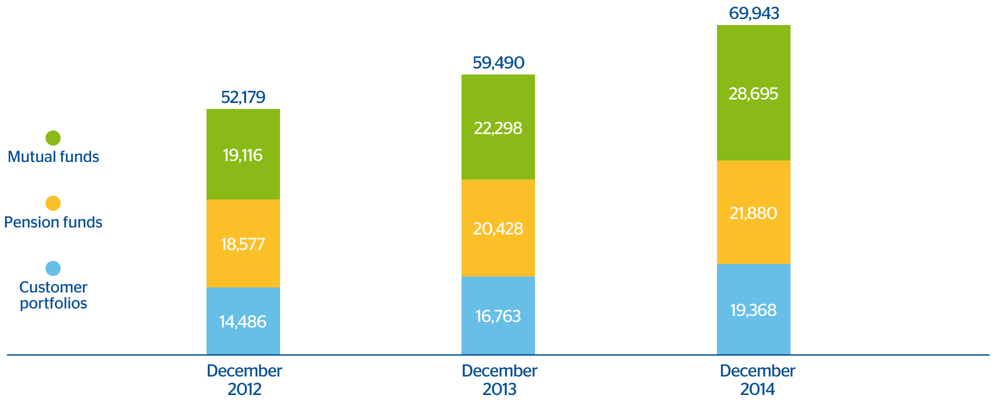
(Percentage)



Lastly, **off-balance-sheet** funds continue to grow, with a year-on-year increase of 17.6% at the close of 2014, largely due to the improvement in mutual funds (up 28.7% since the close of 2013). As a result, the Group has maintained its leading position as a fund manager in Spain.

Banking activity in Spain. Other customer funds

(Million euros)



Earnings analysis

The year-on-year comparison of earnings in the area is strongly influenced by the following factors from the previous year:

- Elimination of the "floor clauses" in residential mortgage loans for consumers in May 2013, which were in place throughout practically the entire first half of 2013 and had a positive effect on net interest income for that period.

- The capital gain generated in the first quarter of 2013 by the reinsurance operation on the individual life and accident insurance portfolio.

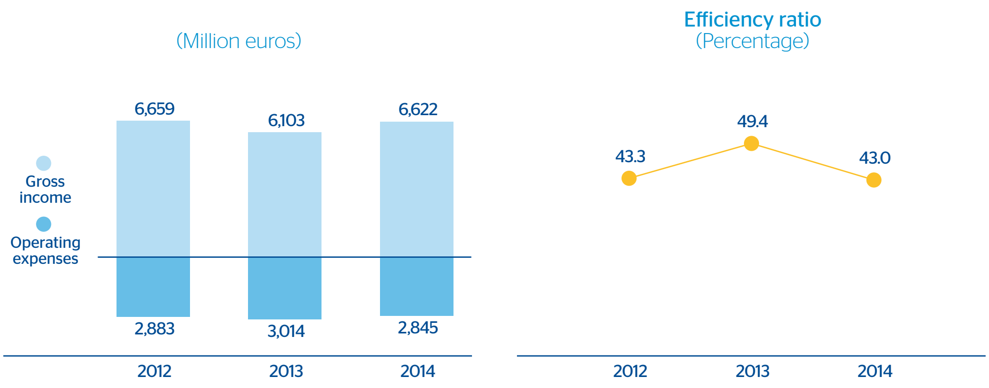
In 2014, the net interest income figure has been practically the same as in the previous year, despite the aforementioned negative effect of the elimination of the "floor clauses", the reduction in the stock of loans and the current environment of all-time low interest rates. This is because the impact of these three elements is being offset by good price management of customer funds, which is allowing customer spreads to improve. Income from fees and commissions has performed very well, above all in the last quarter of 2014, despite the coming into force in that same period of regulatory limitations that affect the revenue from credit cards and pension fund management. Overall, the **more recurring revenue** has grown at a year-on-year rate of 1.4%.

NTI closed a very positive year (up 42.4% year-on-year), thanks to the good performance of Global Markets and the appropriate management of structural risks on the balance sheet. The other income/expenses heading also rose in cumulative terms by 129.6% on the previous year, due to the good performance of insurance activity, the dividends received in the Global Markets area and the fact that in 2013 there had been an extraordinary payment to the Deposit Guarantee Fund to comply with Royal Decree-Law 6/2013. However, it should be noted that the last quarter of 2014 includes the charge for the IDEC, for €54m. As a result, banking activity in Spain has registered good **gross income** figures for 2014, with a year-on-year rise of 8.5%.

The transformation and digitization process implemented by the Group has had a clear effect on operating expenses, whose cumulative figure in 2014 has fallen year-on-year by 5.6%, with reductions in all the expense lines.

Favorable trend in recurring revenue, cost control and improvement in the cost of risk

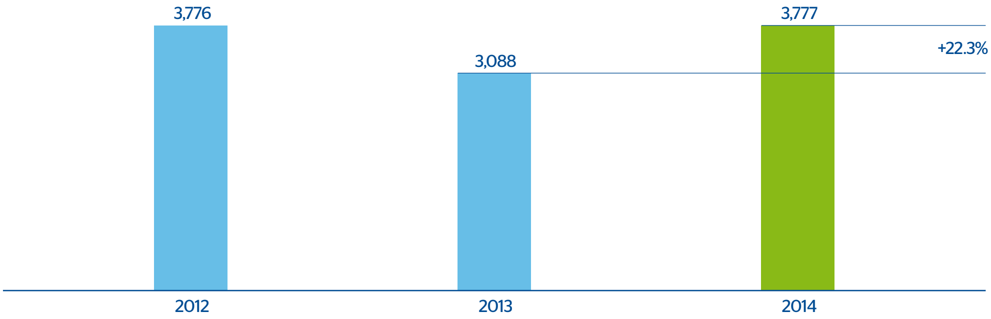
Banking activity in Spain. Efficiency



As a result of the above, **operating income** has increased year-on-year by double-digit figures (22.3%) to €3,777m for the year as a whole.

Banking activity in Spain. Operating income

(Million euros)



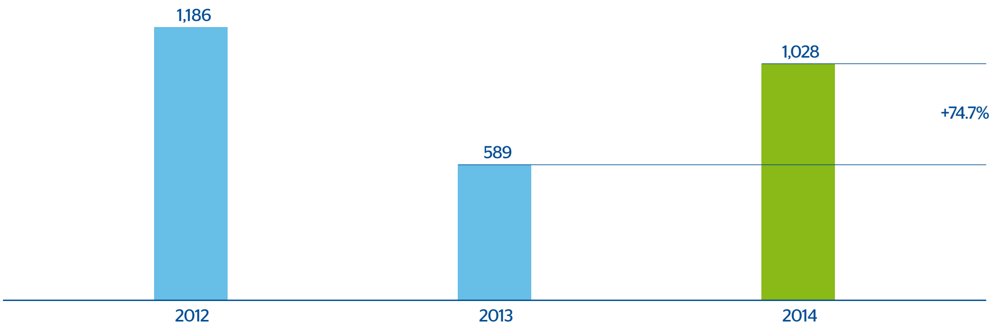
In addition, the improvement in asset quality has led to provision requirements for impairment losses on financial assets that are clearly below those registered in 2013 (that year they were influenced by the refinanced loans). This explains the year-on-year decline of 34.4% in this heading, and the reduction of the cumulative cost of risk over the year to 0.95%.

Lastly, there has been a year-on-year increase of 121.3% in provisions (net) and other gains (losses), basically due to the restructuring costs derived from the aforementioned digitization and transformation process being implemented by the Group.

To sum up, and given the absence this year of one-off earnings, the **net attributable profit** generated in 2014 by banking activity in Spain is €1,028m. This compares with a figure of €589m in 2013, which included €440m of earnings from corporate operations (capital gains from the reinsurance operation on the life-individual accident insurance portfolio).

Banking activity in Spain. Net attributable profit

(Million euros)



Retail Network

This unit includes the business with the following **segments**: individual customers, private banking, SMEs and small businesses.

BBVA offers each customer segment what it needs and demands, simply and transparently

The Retail Network closed the year with a balance of **loans** under management of €91,039m (down 4.1% year-on-year), and on and off-balance-sheet customer **funds** under management of €142,408m, a rise of 3.3% on the figure for 31-Dec-2013.

BBVA aims to continue to strengthen its leading position in Spain in all the segments by attracting customers and increasing their levels of loyalty. The launch of the **"Quiero" (I want) campaign** sums up the way it aims to achieve this goal. BBVA wants to offer each customer what they need and demand, simply and transparently. This has guided the commercial actions carried out in 2014.

Worth mentioning in **financing** is the "Buenas noticias" (Good News) campaign conducted in the first quarter of the year, with which BBVA wanted to demonstrate in a clear and decisive way its commitment to economic recovery and finance. The following products and services have been launched under this initiative:

- In consumer finance one highlight is the One-Click Loan product or Immediate Loan, a pre-authorized product that has enabled more than 2 million customers to obtain finance through a variety of different channels (10% of such loans have been arranged through channels other than branches).

- Also notable is the new "Prestamo coche" (car loan), with a competitive interest rate.

- In an environment of improving economic expectations and reactivation of the real-estate market, BBVA has launched the "Quiero" Mortgage, with a special rate that is targeted at customers who meet certain minimum requirements of solvency, profitability and loyalty. The campaign is proving very successful.

In **savings**, in an environment of all-time low interest rates, BBVA continues committed to responsible management of the balance sheet and an offering tailored to each customer.

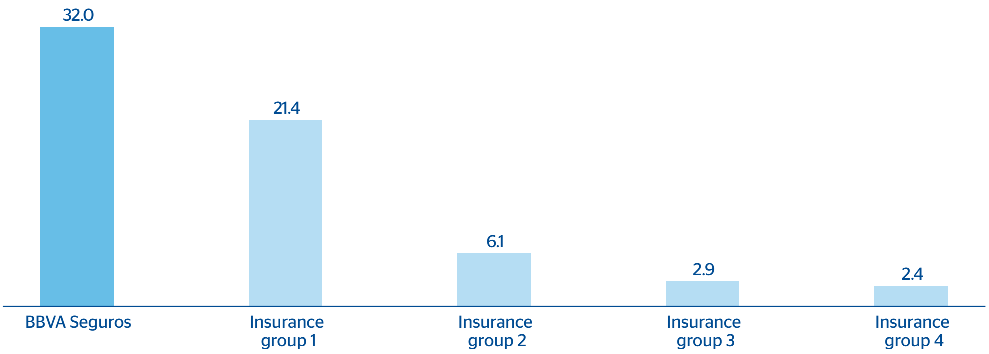
- First, time deposits continue to be sold with the aim of winning new customers and increasing their level of loyalty, such as the BBVA "Tranquilidad" (Peace of Mind) and "Creciente" (Growing) deposits.

- The sales of mutual funds have been boosted for those customers with the right risk profile. This product is strongly underpinned by bonuses for transferring funds from other institutions.

- Saving for retirement has gained importance following the Government's announcement of its Social Security reforms. In October, BBVA launched the "Acuérdate de tu futuro" (Remember your future) campaign, whose main goal is to make people aware of the importance of planning their saving for retirement and to help them make decisions in advance. BBVA's commercial offering includes a wide range of pension plans and insured pension plans tailored to the risk profile of customers and to their retirement time horizon. This year, the commercial offering has been accompanied by information initiatives, such as simulators of contributions to pension plans and future total estimated pensions, and promotional activity, such as the payment of up to 4% toward pension fund contributions and transfers and the daily prize draw of €6,000 for customers using the simulations.

- In the insured savings business, at the close of the third quarter of 2014 (latest available figures; source: ICEA), BBVA was the leader in written premiums for the PIAS (individual scheduled savings plans), with a market share of 32% of premiums amounting to €557m through September.

Market shares in PIAS as of September 2014. BBVA Seguros and main competitors (Percentage)



Source: ICEA.

In 2014, the risk **insurance** business performed strongly, as a result of the transformation of the range toward more competitive and modular products (which are customized and tailored to the customer's needs) and increased commercial activity in the network, with highly focused campaigns, including:

- Launch of the new Home Insurance, which clearly improves the current offering existing on the market.

- Implementation of different measures to make buying over-the-counter insurance more attractive. Of note are the promotions, such as credits of up to 150 euros for buying insurance, or a free tablet for buying health insurance.

To complete the commercial offering, this year has seen the launch of a very important **Quality Plan** across the network. Called "Banco 10", it seeks to involve the workforce in order to become the most recommended company in 2015 for providing to customers an excellent service. It entails the deployment of a working methodology that promotes dialog with customers, who are informed of the explicit commitment of the Bank and of the managers themselves to service quality.

These measures have contributed to increase commercial vitality and have enabled the rate of growth in attracting new customers to be maintained, as demonstrated by the positive trend in the FRS market share as main provider shown in the "Management priorities" section.

A new service model was implemented in the **business unit** in mid-2014. Under this new scheme, SMEs (businesses with a turnover of less than 5 million euros) are now served by the retail network with the aim of giving priority to proximity, accessibility and the quality of customer service. This has entailed a redefinition of the model for attracting, serving and managing customers, as well as of the value offer made available to them. The goal is to be the "SME bank", win market share and improve positioning within this segment. Since the implementation of this plan, the target set for attracting new customers has been comfortably exceeded, with over 36,000 new SMEs. Moreover, the commercial actions carried out have been aimed at boosting credit, with a particular focus on internationalization plans. Of particular note has been the launch of "Credipyme", a tool to determine the risk profile and capacity for indebtedness of SMEs and estimate what finance can be provided for them. In addition, the second edition of the "Plan + Negocio" plan has been launched. It allows BBVA to boost the management of finance for companies and help attract and build the loyalty of new customers.

Corporate and Business Banking (CBB)

The CBB unit handles the business of large companies, corporates and institutions and manages a **loan book** of €53,485m (down 2.3% year-on-year, though the performance was flat in the fourth quarter of 2014) and total customer **funds** of €22,142m (down 3.5% year-on-year).

Since the aforementioned restructuring of the business segment, service through the Business Banking network is limited to customers which are groups with a turnover or a total balance in excess of 5 million euros. This has strengthened the ability to the segment's specialized sales force to deal with customers and provide better advice, supported by the more than 150 product specialists. In an environment marked by growing competition, financing becomes a clear priority.

In an environment marked by growing competition, financing becomes a clear priority for all the segments managed by CBB

The following initiatives stand out in the **large companies** segment:

- The launch of the "Plan + Negocio" plan, focused on boosting commercial activity with certain groups with a high growth potential. This has improved the market share over the indebtedness stock.
- Large companies banking's commitment to granting finance is demonstrated by the cumulative figures of ICO funds: in the 24th half-month of 2014, 18,784 operations were granted, compared with 7,743 in 2013, i.e. a growth of 104%.
- Also of note is the finance granted to 506 companies under the umbrella agreement with the European Investment Bank (EIB) in May for €400m.
- Lastly, SME Banking has participated in various business meetings to explain its support for the internationalization processes of companies, both in Spain and in other countries in which BBVA is present.

It is worth noting that the improvement in economic situation has also reduced net addition to NPA by 50%.

In the **Corporate Banking** segment, lending has also been strong, notably with:

- Participation in almost of all major market operations of Spanish corporations, with a coordination role in most of them.
- Major one-off transactions with European parent companies of customers in the segment.
- Participation in several "Schuldschein" transactions (a type of debt under German legislation).
- Operations within the Cross-Border Plan carried out by customers abroad, above all in the United States, Mexico, Peru and Colombia.

In 2014, **Institutional Banking** has maintained its position of leadership in lending, with a market share of nearly 26%. The following actions are particularly noteworthy:

- The Plan for the Replacement of the Supplier Payment Fund, whereby the Ministry of Finance has enabled local authorities to refinance the operations arranged with central government through the market. The award ratio has been 50% of the amounts authorized by the area's Risk department.
- The award of the ICO's treasury account, with an average balance of €300m, which will be maintained for one year under market conditions.

Insurance

Buoyant activity

The Insurance unit comprises several companies with the strategic goal of becoming the benchmark in the insurance business among the different BBVA customer segments. It manages an extensive range of insurance products through direct insurance and brokerage, using various networks.

In **activity**, the premiums written by BBVA insurance companies in Spain and Portugal amounted to €2,106m. Combined with the robustness of the business concluded and the growing contribution of risk insurance, the result has been a positive generation of earnings in the area. The contribution by risk insurance activity in 2014, both life and non-life, amounted to €566m in direct insurance premiums (up 8.3% year-on-year). Of the €273m in premiums contributed by the life business (up 10% year-on-year), there has been widespread growth in all the lines of activity. Life has grown by 9.4% year-on-year, life/payment protection is up 7.8% and life/group risk has increased by 30%. In the non-life business, the premiums written have amounted to €293m (up 6.8% year-on-year), with notable increases in automobile (up 25%) and health (up 40%) insurance.

Thanks to this strong activity, the Insurance unit had more than 3.4 million policyholders at the close of 2014 (up 5% year-on-year).

Banking activity in Spain. Insurance unit. Policyholder breakdown as of December 2014 by main products

- **962,000 life-credit** policyholders **protect** the principal of their **mortgages and loans with us**.
- **545,000 policyholders** in personal **life and accident** insurance.
- We protect **848,000 homes** of our customers with our multi-risk home and fire insurance.
- **137,000 vehicles** insured with our car and motorcycle insurance.
- We have **79,000 customers who look after their health** with our healthcare products.
- **738,000 policyholders save and prepare for retirement** with our individual and collective business pension products.

Multi-channel strategy

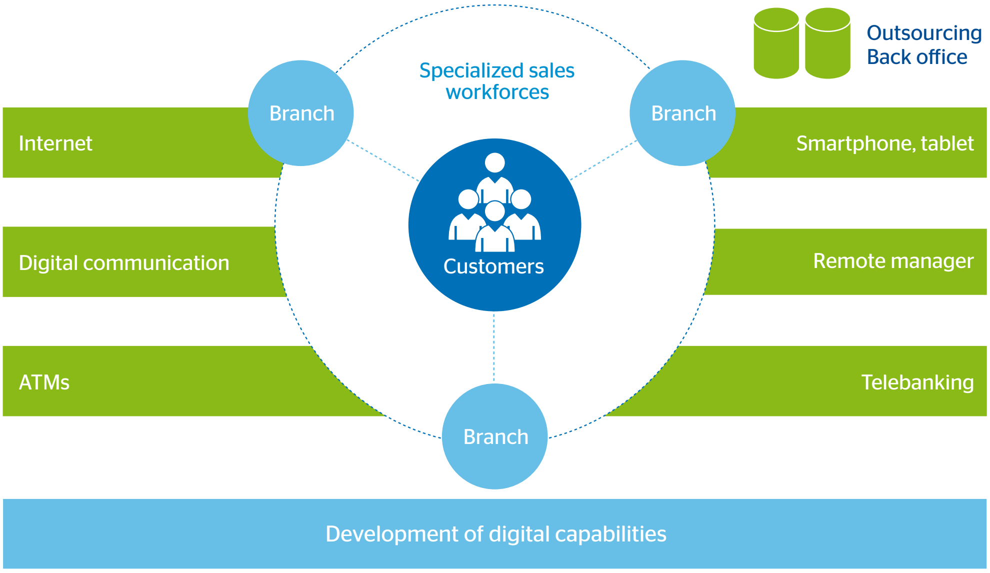
The Group aims to allow customers to manage the whole relationship with the Bank through digital and/or remote channels

Technological changes and customer behavior call for the development of new forms of relationship. In the future, leading this transformation will offer a clear competitive advantage in terms of efficiency and customer experience. The Group aims to allow customers to manage the whole relationship with the Bank through digital and/or remote channels and boosting the digital sale of products. In this regard, the progress made in **2014** has been as follows:

- Improvements in ATMs and self-service terminals, including access using the bbva.es username and password.
- Progress in the commercial capabilities of the website, above all in the dividend reinvestment operations, the inclusion of online contracting of the One-Click Loan product (Immediate Loan) and the launch of mortgage and pension plan campaigns.
- Launch of the new version of cell-phone app that allows adjustment of transfers, activation of cards, changing the card PIN number, payment of bills without direct debit, checking sicavs, etc.

- Regarding this matter, BBVA has developed BBVA Wallet. With more than 400,000 downloads at the end of 2014, it is the most commonly and widely used mobile payment banking app in Spain and the first on a global scale to integrate HCE [(1)] technology for native payments with cell-phones using NFC (Near Field Communication). The app's ease of use and convenience have led that more than 70,000 customers already purchase with their cell-phone, 20,000 with their NFC cell-phone and more than 50,000 with their NFC sticker. In addition to customer recognition, this mobile payment solution has won a Contactless & Mobile Award 2014 (CMA 2014).

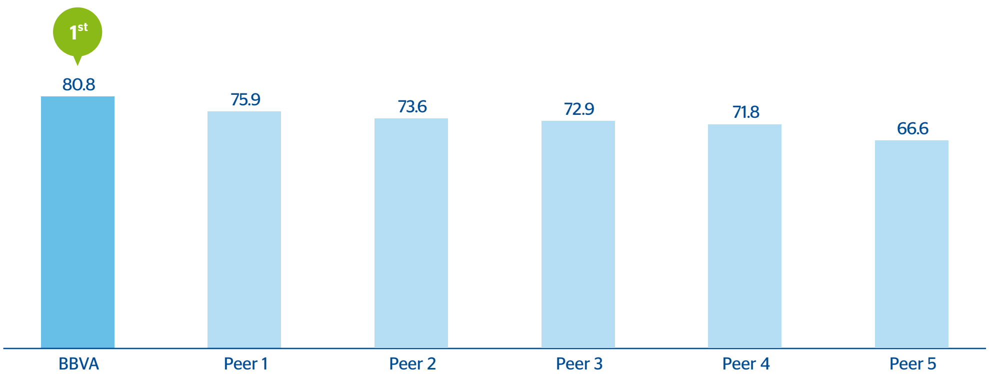
Development of a "non-flat" network with a larger remote and digital contact surface



As a result of this progress, the FRS 2014 survey shows that BBVA's website in Spain and the Entity's mobile app are the leaders in satisfaction in their category, ahead of their main competitors. The process of improvement and gradual incorporation of commercial capabilities will continue in the coming months.

Level of satisfaction of the main online banking customers

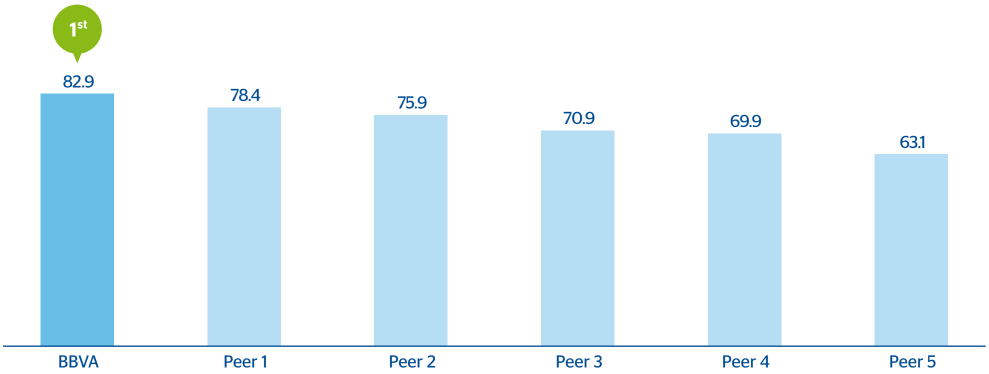
(Percentage)



Peer group: includes Bankia, Caixabank, Popular, Sabadell and Santander.
Source: FRS 2014.

(1) HCE (Host Card Emulation) technology enables users of Android cell-phones with NFC technology to immediately start making purchases at contactless POS terminals with their phones by simply downloading the app, without the need for any additional element (SIM, sticker, etc.).

Level of satisfaction of the main mobile banking customers
(Percentage)



Peer group: includes Bankia, Caixabank, Popular, Sabadell and Santander.
Source: FRS 2014.

Apart from developing new channels, progress has been made in early 2015 in the process of **transformation** of the retail distribution network, with respect to the reorganization of the "head branches". This has reduced the number of "head branches" by 90, without any cut in the total number of branches in the commercial network. The new "head branches" are bigger, with more dependent branches and include remote managers to speed up customer service. The aim is to boost advice, specialization and remote service, without losing network capillarity, in order to achieve a more specialized, productive and efficient.

Responsible banking

BBVA maintains its commitment to the communities where it operates with various initiatives

BBVA in Spain has developed various initiatives in 2014 in line with the three strategic priorities of the Responsible Business Plan:

Firstly, product leaflets with **Transparent, Clear and Responsible communication** (TCR) criteria have been fully implemented in the branches network. Secondly, progress has been made in "Programma Banco 10", a project with the aim of receiving a 10 in customer service. Finally, the first contracts with TCR criteria have been written and tested.

As regards **financial literacy**, the educational program "Valores de Futuro" (Future Values) has been carried out, in which 796,300 students and 600 BBVA volunteers have participated in the 2013-2014 edition. Its aim is to deal with money as part of education and boost the values of prudence, responsibility and solidarity.

Regarding **products with a high social impact**, within the framework of responsible business policies, the Group has defined a social housing policy in supporting individuals with special needs. This goes beyond the legally established criteria and enables it to offer solutions to all families who are finding it difficult to repay their mortgage loans and guarantee that any family which is a BBVA mortgage customer and is at risk of exclusion can have a roof over their heads and cannot be evicted. In this regard, customers who find it difficult to pay their mortgage loans are offered, among other initiatives, a free employment plan with the Adecco Foundation. The program is combined with a training and job search plan lasting nine months for either the customer or one of the customer's family members. In 2014, 1,150 customers benefited from the BBVA Adecco Foundation Plan and 30% of them found a job at some point during the program.

"Yo Soy Empleo" (I am Employment) is a program that provides financial support to SMEs and the self-employed so they can hire unemployed people. This initiative has received an award from the SERES Foundation for integrating social responsibility into the company's strategy. Its achievements include:

- It has helped 4,614 businesses and self-employed workers create 7,427 jobs, nearly 70% with permanent employment contracts. On average, those hired had been unemployed for 14 months and 40% were under the age of 30.

- More than 2,630 businesses have benefited from the training modules for growth, within the framework of the program.

- This initiative is backed by more than 100 public and private institutions, including the Federation of the Self-Employed (ATA).

As mentioned in the "Team" chapter, BBVA has launched a program for 3,000 **scholarships** in Spain over the next two years, aimed at university students, graduates and postgraduates. It is designed to complete their education by working in a global financial institution like the Group, and improve their future employability. The young people will receive work-experience training for six months in various departments in the Bank, in both corporate areas and the branch network. They will be supervised by the Entity's professionals, who will act as their mentors. The program's budget is €13m.

The **Momentum Project** initiative has chosen the 10 finalist companies for its 4th edition. Most of them are committed to innovation. Among the projects are those dealing with improvements to the environment, the quality of life and/or the health of people and social and labor inclusion.

The 6th **Integra Prize** was awarded to the AMIAB group, an organization that promotes the labor and social integration of disabled people in Albacete. The prize is worth €200,000. A special mention worth €100,000 was granted to the Cantabrian organization AMICA and another four additional recognitions for €50,000 each were also granted. The 7th edition of the Integra Prize was launched in December 2014. On this occasion there will be two categories: one for €150,000 and one for innovative programs, with a €25,000 prize. In addition, all the winners will become participants in Momentum Project.

The third edition of **"Territorios Solidarios"** has also been launched. This is an initiative through which BBVA employees in Spain propose and vote for social projects they believe the Bank should support financially. In this third edition, 175 projects were chosen with the votes of 14,201 employees and they have received a total of €1,650,000.

The BBVA Foundation, together with the Spanish Ministry of Education, Culture and Sports, have granted the 29th "Premios Francisco Giner de los Ríos a la Mejora de la Calidad Educativa" (Francisco Giner de los Ríos Awards for Educational Quality). These awards recognize the work of teachers who innovate in the area of teaching methodology. There are eight categories in all, covering the different educational levels, with total prize money of 129,000 euros.

Other prizes and awards

BBVA's achievements in Spain in different areas, apart from those mentioned above, have been recognized with various prizes:

- BBVA Private Banking has been named the best private bank in Spain for the fifth year in a row at the 2014 The Global Private Banking Awards. These awards are granted annually by the prestigious magazines *The Banker* and the Financial Times Group journal *PWM*, specializing in international banking.

- BBVA Asset Management has received a FUNDCLASS award for best Spanish manager in the 26 to 40 rated funds category from the European Funds Trophy 2014. The award recognizes the consistency in management and the manager's ability to offer a range of funds with outstanding performance for a seven-year period.

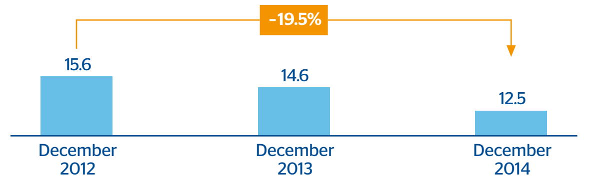
Real-estate activity in Spain

Highlights in 2014

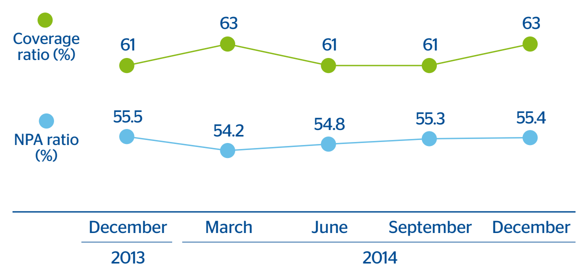
- Improvement in indicators related to demand for residential housing and positive evolution in price adjustments.
- Reduction in BBVA's net exposure to the real-estate sector, combined with an improvement in asset quality.
- Lower provisions in 2014 than in previous periods.

Net exposure (1)

(Billion euros)



Risks



Results

2014. Million euros

Net interest income	-38	n.m.
Gross income	-132	+248.3%
Operating income	-291	+55.2%
Net attributable profit	-876	-30.0%

(1) Transparency scope according to Bank of Spain Circular 5/2011. The figures include Unnim but exclude the stake in Metrovacesa.

Income statement

(Million euros)

	Real-estate activity in Spain			
	2014	Δ%	2013	2012
Net interest income	**(38)**	**n.m.**	**(3)**	**(21)**
Net fees and commissions	4	(56.8)	9	19
Net trading income	72	7.4	67	(29)
Other income/expenses	(170)	52.9	(111)	(48)
Gross income	**(132)**	**248.3**	**(38)**	**(79)**
Operating expenses	(159)	6.3	(150)	(130)
Personnel expenses	(86)	2.2	(84)	(60)
General and administrative expenses	(50)	16.6	(43)	(46)
Depreciation and amortization	(23)	1.8	(23)	(24)
Operating income	**(291)**	**55.2**	**(188)**	**(209)**
Impairment on financial assets (net)	(305)	(52.6)	(643)	(3,799)
Provisions (net) and other gains (losses)	(629)	(37.6)	(1,008)	(1,696)
Income before tax	**(1,225)**	**(33.4)**	**(1,838)**	**(5,705)**
Income tax	351	(40.9)	595	1,634
Net income	**(873)**	**(29.8)**	**(1,243)**	**(4,071)**
Non-controlling interests	(3)	(65.8)	(9)	3
Net attributable profit	**(876)**	**(30.0)**	**(1,252)**	**(4,068)**

Balance sheet

(Million euros)

	Real-estate activity in Spain			
	31-12-14	Δ%	31-12-13	31-12-12
Cash and balances with central banks	6	(7.4)	6	4
Financial assets	646	(44.3)	1,159	1,215
Loans and receivables	8,819	(16.5)	10,559	12,461
Loans and advances to customers	8,819	(16.5)	10,559	12,461
Loans and advances to credit institutions and others	-	-	-	-
Inter-area positions	-	-	-	-
Tangible assets	1,373	(17.3)	1,661	1,848
Other assets	7,090	(1.5)	7,196	6,584
Total assets/Liabilities and equity	**17,934**	**(12.9)**	**20,582**	**22,112**
Deposits from central banks and credit institutions	-	-	-	-
Deposits from customers	53	(48.7)	103	483
Debt certificates	-	-	-	-
Subordinated liabilities	922	65.9	556	651
Inter-area positions	13,250	(25.1)	17,697	17,862
Financial liabilities held for trading	-	-	-	-
Other liabilities	-	-	-	-
Economic capital allocated	3,709	66.6	2,227	3,117

Definition of the area

This area provides specialized management of the Group's real-estate assets, including foreclosed real-estate assets from both residential and developer mortgages, the developer loan business and other related assets. Management of properties for BBVA's own use is excluded from its scope.

Industry trends

Demand recovers steadily and the price adjustment stabilizes

After several years of contraction, 2014 was the year of change in the cycle of **real-estate activity**. Although it is not the first time that the sector has undergone a period of recession, the latest starting in 2007 has been the longest and most intense. Over these years, construction activity has fallen by 95%, sales have dropped by nearly 70% and housing prices have declined by around 40% in real terms from their highs.

However, since the start of 2014, **construction activity** has in general been recovering. For example, the number of housing construction permits for new starts have been growing for several quarters. According to the latest available information, between January and November 2014 they have increased by 5.1% in year-on-year terms. This improvement is also reflected in the labor market: the number of workers in the construction sector registered in the Social Security system has grown. Entrepreneurs' perception regarding the future of the sector is moving in a similar direction, as shown by the improvement in the industrial outlook indicator, even though it continues to be in negative territory. This resurgence in construction activity is taking place with a high stock of new unsold homes. Although the year ended with excess supply below 2013 levels, it will still continue to be high in some regions. However, the supply is trying to respond to the shortage of new homes in certain areas and the need to meet new demand requirements, in a market characterized by an increasing geographical diversity.

On this occasion, the sector has not anticipated economic recovery, as happened in the past. Rather, its recovery has been a response to the return to economic growth. In fact, the economy's return to growth has resulted in an improvement of the fundamentals of **residential demand** from the domestic point of view. At the same time, Spain's attraction as a holiday and retirement destination continues to spread beyond its neighboring countries, and despite external geopolitical events and the worsening growth outlook for the Eurozone, housing demand by foreigners remains strong. The latest data available for November from the General Council of Spanish Notaries reflect the positive trend in sales of real-estate assets, which have increased by 16.8% on the first eleven months of 2013. Nevertheless, the entry of new supply onto the market will remain weak over the coming years. Thus, the boost in demand will help reduce existing over-supply.

The **price** of housing is gradually stabilizing: the contraction in housing prices moderated significantly in the first quarter of the year, and this has been maintained in successive quarters. Thus, as a result of the geographical diversity mentioned above, there are regions where housing prices have already begun to grow. Data from the National Institute of Statistics (INE) for the third quarter of 2014 confirm the trend toward stability that was already reflected in data from the Ministry of Public Works. For the second quarter in a row, the INE's housing price index (IPV) shows a slight year-on-year increase. The price adjustment thus seems to have come to an end.

In short, 2014 has been a turning point in the recent history of the real-estate market. Stronger economic growth, recovery in the fundamentals of demand and continued financial stability will be key factors for the recovery in real-estate activity that begun in 2014 to continue strongly into 2015. In any event, the imbalances that still remain in the market will mean that recovery, which is starting from historically low levels, will be moderate.

Management priorities

The main management priority is the transformation of this business area into one that can contribute sustained value to the Group. To do so, the aim is to:

- Reduce the historical level of unprofitable real-estate exposure in lending and properties, while improving the mix and quality of the portfolio.
- Strengthen the structures and tools in order to improve the impact made by the effort in sales and risk management.
- Undertake new developments, transforming land into final product.
- Relaunch the residential and wealth finance business franchise, with new strategies and management models that make the most of the lessons learned from the recent real-estate crisis.

The goal is to contribute sustained value to the Group

Activity analysis

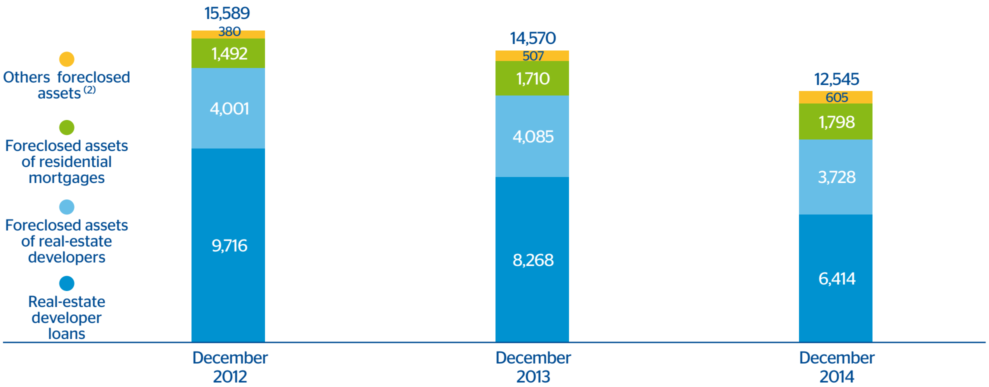
There are two very different realities for the Group within the real-estate sector. First, there is the net exposure to the developer segment (lending to developers plus the developers' foreclosed assets), which has continued to decline. Second, there are real-estate assets and retail foreclosures, i.e. those from defaulting mortgage loans, where the rate of new additions has slowed.

Overall, BBVA's **net exposure** to the real-estate sector in Spain at the close of 2014 stood at €12,545m, a year-on-year fall of 13.9%, mainly due to real-estate developer loans that continue to fall.

Reduction in net exposure, combined with an improvement in asset quality

Real-estate activity in Spain. Net exposure to real estate [1]

(Million euros)



(1) Transparency on like-for-like basis: the figures include Unnim but exclude the stake in Metrovacesa.
(2) Other foreclosed assets include foreclosed assets that do not stem from financing family home buying.

It is worth noting that, although to a lesser extent, the net exposure of the real-estate foreclosed assets is beginning to fall, though there is still a high rate of foreclosed asset entries from residential mortgage loans. These **properties** from foreclosed residential mortgages (not including the amount of provisions) have fallen by 15.8% since December 2013.

Non-performing assets continue to decline and are now 16.1% below the figure for 2013. As of 31-Dec-2014, the **coverage ratio** of non-performing and substandard loans stood at 54%, and of real-estate exposure as a whole at 48%, an improvement of 278 basis points over the year.

Coverage of real-estate exposure in Spain

(Million of euros as of 31-12-14)

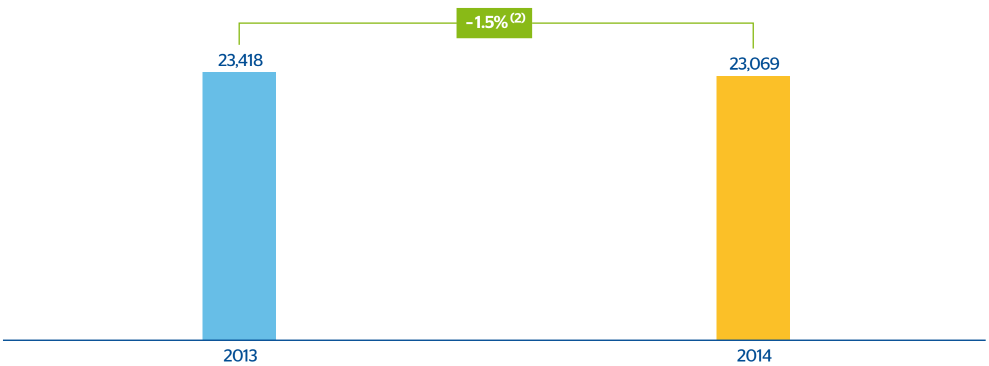
	Risk amount	Provision	% Coverage over risk
NPL + Substandard	8,399	4,572	54
NPL	7,418	4,225	57
Substandard	981	347	35
Foreclosed real estate and other assets	13,016	6,885	53
From real-estate developers	8,629	4,901	57
From dwellings	3,250	1,452	45
Other	1,137	532	47
Subtotal	**21,415**	**11,457**	**53**
Performing	2,587		
With collateral	2,401		
Finished properties	1,873		
Construction in progress	225		
Land	303		
Without collateral and other	186		
Real-estate exposure	**24,002**	**11,457**	**48**

Note: Transparency scope according to Bank of Spain Circular 5/2011 dated November 30.

The cumulative **sales** of real-estate assets for the year are somewhat lower than the previous year (down 1.5%), although they are assets of a greater gross value and average price, with a bigger impact on the reduction in the portfolio. Not including the number of wholesale portfolio sale operations carried out last year, the number of real-estate asset sales reflects a slight growth year-on-year (up 1.6%).

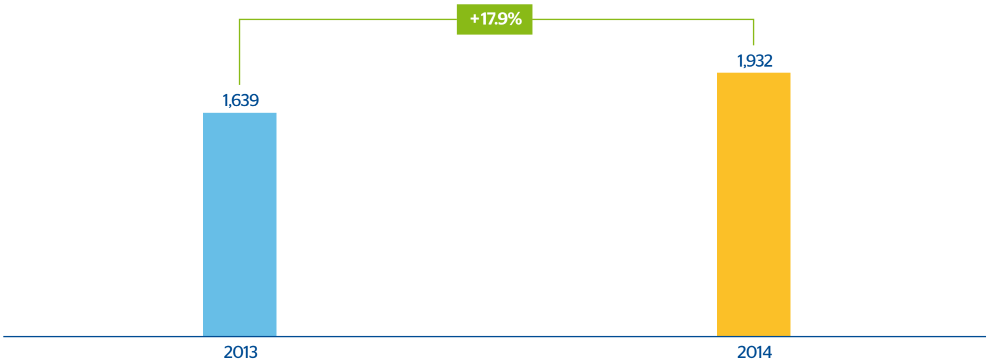
Real-estate activity in Spain. Sales evolution of real-estate assets [1]

(Units)



(1) Includes sales on behalf of third parties and the promoters themselves.
(2) +1.6% excluding wholesale portfolio sale operations carried out in 2013.

Real-estate activity in Spain. Sales evolution of real-estate assets [1]
(Million euros)



(1) Includes sales on behalf of third parties and the promoters themselves.

Earnings analysis

The highlights of the area's annual earnings are the less negative impact of loan-loss provisions for developer loans and foreclosed real-estate assets, as well as the negligible effect of the sale of properties, as they are being sold at a price close to their net book value.

Thus, in 2014, BBVA's real-estate business in Spain registered a **loss** of €876m, notably less than the €1,252m loss posted in 2013, due basically to the reduced need for loan-loss provisions and less deterioration in the value of real-estate assets.

Lower loan-loss provisions in 2014 than in previous years

The United States

Highlights in 2014

- Good macroeconomic outlook.
- Strong activity focusing on new credit operations.
- Progress in the digital transformation.

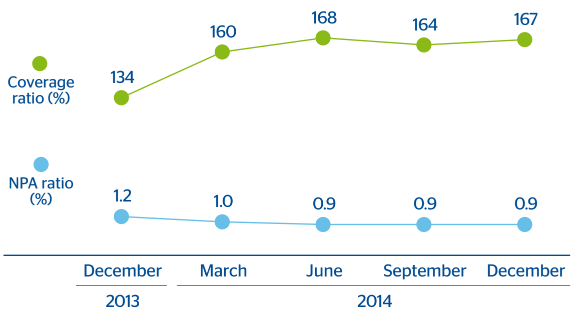
Activity [1]

Year-on-year changes at constant exchange rate
Balances as of 31-12-2014

+12.7% Loans

+14.7% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rate

Net interest income	1,443	+2.7%
Gross income	2,137	+4.0%
Operating income	640	+3.0%
Net attributable profit	428	+8.9%

(1) Loans under management and customer deposits under management (excluding repos).

Income statement

(Million euros)

	The United States				
	2014	Δ%	Δ% [1]	2013	2012
Net interest income	**1,443**	**2.9**	**2.7**	**1,402**	**1,550**
Net fees and commissions	553	9.2	8.7	507	531
Net trading income	145	3.8	2.1	139	153
Other income/expenses	(4)	265.4	224.4	(1)	(36)
Gross income	**2,137**	**4.4**	**4.0**	**2,047**	**2,198**
Operating expenses	(1,497)	4.8	4.4	(1,429)	(1,476)
Personnel expenses	(861)	5.0	4.5	(820)	(852)
General and administrative expenses	(457)	6.3	6.0	(430)	(440)
Depreciation and amortization	(179)	0.1	(0.1)	(179)	(185)
Operating income	**640**	**3.5**	**3.0**	**618**	**722**
Impairment on financial assets (net)	(68)	(8.2)	(8.1)	(74)	(66)
Provisions (net) and other gains (losses)	(10)	6.2	3.7	(10)	(36)
Income before tax	**561**	**5.1**	**4.5**	**534**	**620**
Income tax	(133)	(8.0)	(7.5)	(145)	(175)
Net income	**428**	**10.0**	**8.9**	**390**	**445**
Non-controlling interests	-	-	-	-	-
Net attributable profit	**428**	**10.0**	**8.9**	**390**	**445**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	The United States				
	31-12-14	Δ%	Δ% [1]	31-12-13	31-12-12
Cash and balances with central banks	3,808	13.3	(0.3)	3,362	5,384
Financial assets	11,892	64.5	44.8	7,231	7,584
Loans and receivables	50,970	28.5	13.1	39,677	38,328
Loans and advances to customers	48,976	30.8	15.2	37,430	36,053
Loans and advances to credit institutions and others	1,994	(11.3)	(21.9)	2,247	2,275
Inter-area positions	-	-	-	-	-
Tangible assets	725	7.9	(5.0)	672	745
Other assets	1,866	(11.3)	(21.9)	2,104	1,838
Total assets/Liabilities and equity	**69,261**	**30.6**	**14.9**	**53,046**	**53,880**
Deposits from central banks and credit institutions	5,765	23.7	8.9	4,662	5,628
Deposits from customers	51,394	29.0	13.6	39,844	39,132
Debt certificates	822	n.m.	n.m.	-	-
Subordinated liabilities	742	14.0	0.4	651	848
Inter-area positions	345	(50.3)	(56.2)	693	987
Financial liabilities held for trading	2,341	n.m.	n.m.	168	352
Other liabilities	5,289	16.5	2.5	4,541	4,025
Economic capital allocated	2,563	3.0	(9.3)	2,488	2,908

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentage)

	The United States		
	31-12-14	31-12-13	31-12-12
Performing loans (1)	50,280	44,604	40,828
Customer deposits under management (1-2)	50,093	43,673	40,992
Mutual funds	-	-	-
Pension funds	-	-	-
Efficiency ratio (%)	70.1	69.8	67.2
NPA ratio (%)	0.9	1.2	2.4
NPA coverage ratio (%)	167	134	90
Cost of risk (%)	0.16	0.20	0.17

(1) Figures at constant exchange rate.
(2) Excludes repos.

Definition of the area

This area encompasses the business conducted by the Group in the United States through BBVA Compass, BBVA Ventures, as well as the assets and liabilities of the branch in New York.

BBVA Compass is a bank with 672 branches. It is the 21st largest bank in the United States in terms of deposit market share.

BBVA Ventures is a unit based in Silicon Valley, which invests in disruptive startups in the financial industry with the aim of transforming the financial services sector. This is done by being in contact with companies that are developing business models and technologies to build the best customer experience in the digital era, one of the key elements in BBVA's comprehensive transformation process. In 2014 it invested in:

- Taulia, a company specialized in digitizing traditional processes of funding to suppliers through a cloud-based platform, thus shortening the payment cycles to one day and allowing suppliers to access the liquidity they need.
- DocuSign, a San Francisco company that offers e-signature technology and digital services for transaction management.
- Personal Capital, which provides financial advice and money management services.
- In 2015 it has already invested in Coinbase, the leading platform for transactions using the virtual currency bitcoin.

The **New York branch** is specialized in transactions with large corporations.

In the first quarter of 2014, BBVA agreed the purchase of **Simple** for USD 117m, a U.S. company that has created a new model of digital banking. This transaction is part of the Group's strategy to lead the technological changes that are transforming the financial industry. At the time of the acquisition announcement, Simple had more than 100,000 clients across the country, for who it provides a set of digital tools designed to streamline their expenses and optimize their savings.

Macro and industry trends

Sustained growth

The latest **activity** data confirm that the U.S. economy is on the road to recovery. GDP growth has been stronger than expected, following a setback in the first quarter of 2014; growth in jobs has remained above 200,000 jobs per month since February; the unemployment rate has fallen to 5.8%; and private consumption is being driven by increased purchasing power. It is true that the recovery could be affected by the continued appreciation of the dollar, the uncertainty surrounding the normalization of monetary policy and downward pressure on the long-term yield of Treasury bonds. Caution and the response to warning signals as economic data is released will modulate the pace of the normalization ahead.

Monetary and fiscal policy has played a very important role in this recovery. Now that Congress has reached a two-year budget agreement and another on the debt ceiling, the risks derived from fiscal uncertainty have certainly been mitigated. At the same time, the Fed has taken center stage, continuing with the expected process of reducing its stimuli and the rise in Fed funds rate, although both conditioned by inflation evolution and improvements in the labor market. Lastly, transparency and appropriate communication will be important for the Fed's strategy in 2015 in order to avoid greater economic uncertainty.

The **Sunbelt** region continues to be a key point for growth in the United States. In fact, this is where 50% of jobs have been created over the last year in the country.

Growth in activity, improving asset quality and pressure on margins

With respect to the **financial system**, the trend of reduction in the sector's NPA ratio continues. At the end of the third quarter of 2014 it stood at under 3%, close to the minimum pre-recession levels. The exception remains for residential mortgage lending, whose NPA ratio is falling, but still at rates of nearly 7%, (compared with the 5% pre-crisis level). In terms of activity, lending continues to grow at higher rates than in 2013 (up 7.7% in year-on-year terms, according to November figures), supported basically by the growth in corporate lending and, to a lesser extent, by the increase in consumer finance. Despite the volatility seen toward the end of 2014, deposits also continue to show a positive trend. With respect to the solvency of the sector, the most notable event was the publication in March 2014 of the stress tests results carried out on the 30 largest banks in the country. This year, for the first time, the subsidiaries of foreign banks have been included. BBVA Compass has passed these tests and thus its capital plans have been accepted without any objections by the Fed. Lastly, the low levels of interest rates continue to place pressure on the system's income statements.

With regard to the **exchange rate**, the dollar gained consistently against the euro for much of the year. This has had a positive impact on the year-on-year changes in the balance sheet headings and in activity. However, the currency effect on the income statement for the whole year has been very limited, as the exchange rate impact in average exchange rates has been much lower. To provide a better understanding of the changes in the business, the percentages given below refer to constant exchange rates, unless otherwise indicated.

Management priorities

Continue to create an outstanding digital value proposition have been and will continue to be management priorities in the area

At the start of **2014**, BBVA Compass became a public filer, so since then it is required to file routine reports with the Securities and Exchange Commission.

The **expansion network** of BBVA Compass' distribution continued in 2014. In addition to the acquisition of Simple, loan production branches were opened in San Francisco and Los Angeles (California), Seattle, Washington, Charlotte and Raleigh (North Carolina) and Columbus (Ohio). The bank also expanded in Texas through an agreement that gives it brand rights in more than 300 ATMs located in the H-E-B stores, the main food store chain based in Texas.

With respect to the creation of a differential **digital value proposition**, the bank has improved its position by establishing several strategic alliances, among them with OnDeck to boost credit for SMEs. BBVA Compass will use OnDeck's innovative technology and rating system to offer quicker loans (some available in one working day) under flexible terms and conditions tailored to each customer's needs. It also reached a collaboration agreement with CareCloud, a provider of financial services and integrated technology programs for the healthcare sector. Its innovative technology will provide small-scale medical practices with access to the bank's financial products and services. This segment has been neglected by the major financial institutions, which tend to focus more on larger hospitals. In the fourth quarter, BBVA Compass announced an agreement that opens up its technological platform to the innovative payment system Dwolla, the owner of an innovative payment channels system that operates in real time. The agreement allows the bank's account holders, whether individuals or companies, to use its technological platform to make quick, secure, direct and transparent payments at a cost that cannot be matched by the traditional networks.

Lastly, BBVA Compass has also continued to develop its **brand recognition**. The Highlights section lists the most relevant events in this respect.

With the completion of the new core operating system, the United States will continue to focus on creating a differential value proposition and continuing to comply with the growing regulatory demands. In **2015**, the management priorities for the United States will therefore be focused on:

- Positioning itself as leader in the **digital revolution** that is changing the financial sector. To do so:
  - It must continue to create a range of outstanding products and services for customers.
  - Initiatives will be carried out in real time to improve the customer experience and increase effectiveness.
  - Work will continue on brand recognition and positioning.
  - We will continue to look for partners whose technology boosts our vision of banking in the digital age.
- Maintaining our excellent **reputation** and improving the levels of customer **satisfaction** and staff productivity.
- Transferring the **success** of the commercial lending branches to the new markets and increasing the level of **banking penetration** through Corporate & Investment Banking services.
- Lastly, continuing to meet the demands of the new **regulatory environment**, preserving a strong capital base above the levels required by the stress tests.
- Making progress in **transparent communication** with our stakeholders, above all customers, and creating strong links with the communities where we offer a service.

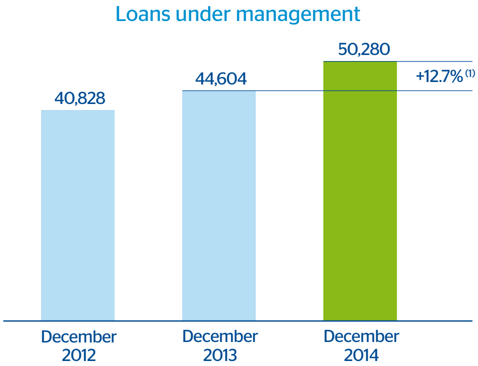
Activity analysis

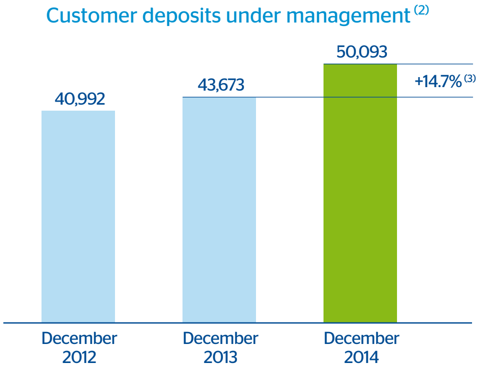
Loans under management in the area as of 31-Dec-2014 were up 12.7% over the year. This rise is general across all portfolios, particularly, in commercial lending, which grew by 15.4% since the end of 2013, residential real-estate mortgages, which increased by 9.0% and consumer finance (up 14.9% year-on-year).

The area has shown a robust performance in activity and improved asset quality

The United States. Key activity data

(Million euros at constant exchange rate)



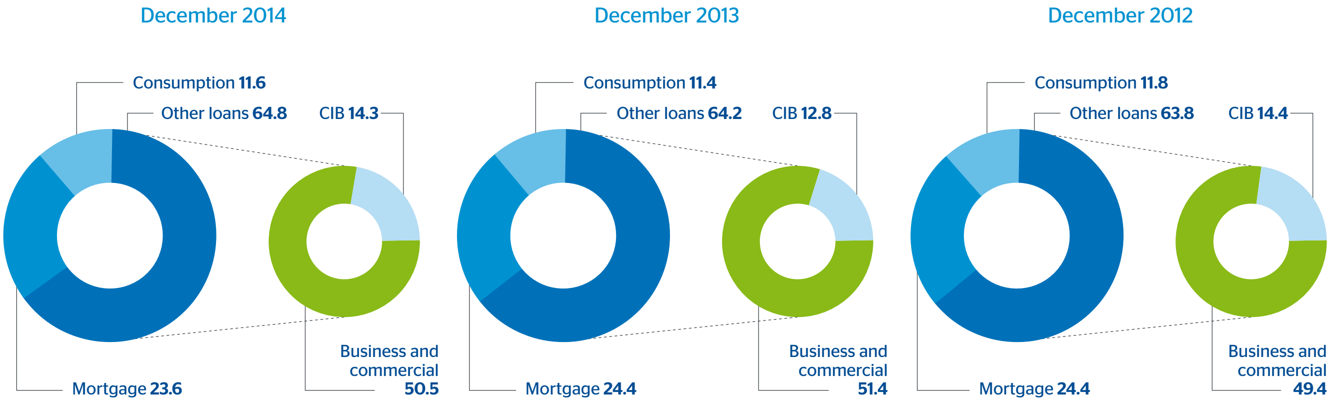


(1) At current exchange rate: +28.0%.

(2) Excludes repos.
(3) At current exchange rate: +30.3%.

The United States. Loans under management breakdown

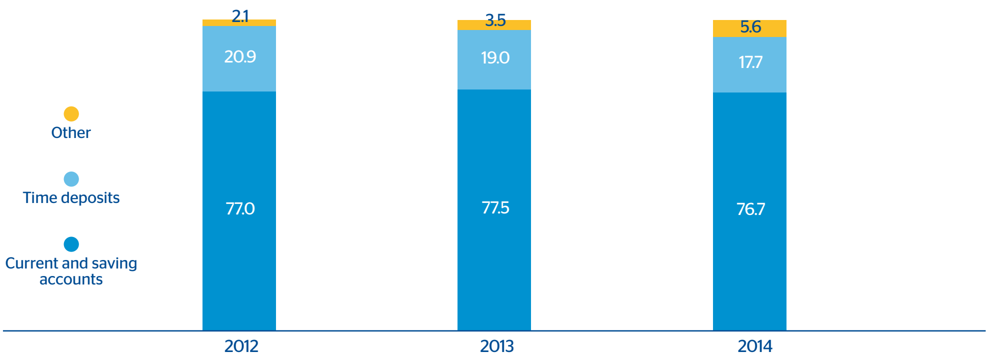
(Percentage)



The main indicators of the area's **asset quality** and risk management clearly improved over the year, with an NPA ratio of 0.9% and a coverage ratio of 167% as of 31-Dec-2014, compared with 1.2% and 134%, respectively, on same date the previous year.

Customer **deposits** under management increased by 14.7% over the last 12 months. These positive figures are due to the good performance of lower-cost deposits, namely current and savings accounts, which are up 13.6% since December 31, 2013.

The United States. Breakdown of customer deposits under management
(Percentage)



Earnings analysis

Positive revenue figures, costs under control and a decline in loan-loss provisions

The variation in the key headings of the income statement is due to the following factors:

- The **recurring revenue** has performed well over the year, thanks mainly to the strong activity. Net interest income for 2014 has increased by 2.7% over the year (with growing quarterly evolution and narrowing of spreads increasingly more limited). Income from fees and commissions has improved significantly (up 8.7% year-on-year) largely as a result of strong activity in the franchise's wholesale businesses.

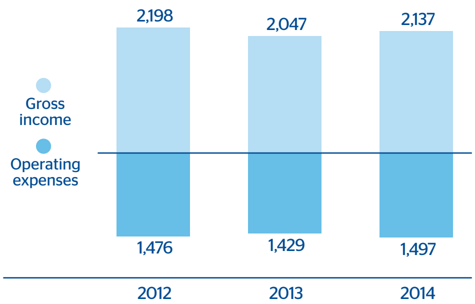
- There was also a positive performance in other headings, making up **gross income**, which totals €2,137m in the year (up 4.0% year-on-year).

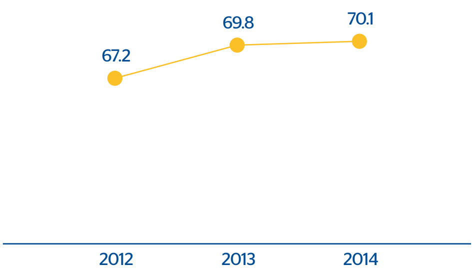
- **Operating expenses** have grown moderately, by 4.4% over the year, despite the impact of the incorporation of Simple and the higher costs derived from regulatory requirements.

- **Impairment losses on financial assets** continue to decline and the cost of risk has improved to a cumulative 0.16% for the year.

As a result of the above, in 2014 the area has generated a **net attributable profit** of €428m, up 8.9% compared with the figure for 2013.

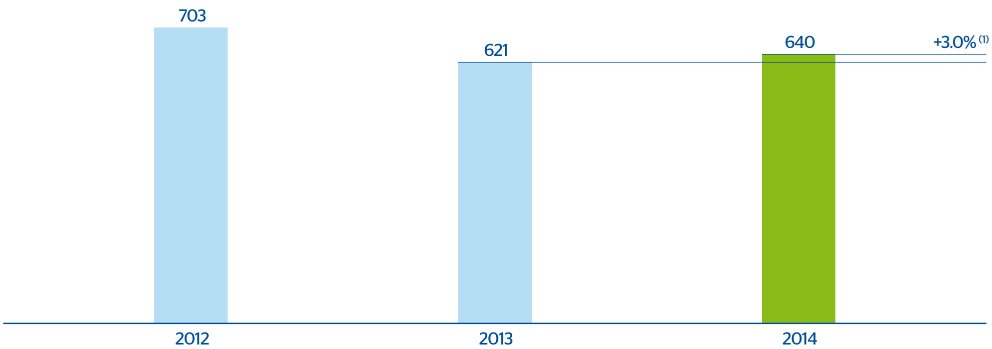
The United States. Efficiency





The United States. Operating income

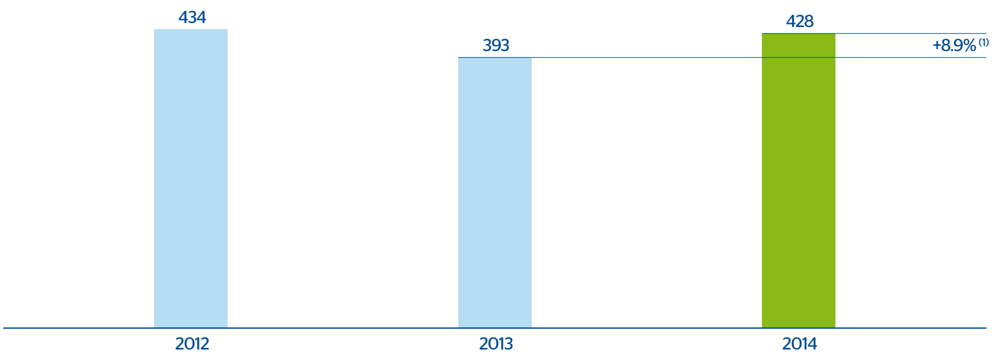
(Million euros at constant exchange rate)



(1) At current exchange rate: +3.5%.

The United States. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +10.0%.

Commercial Banking

Strong activity thanks to new branches and specialized services

This unit, which manages the SME segment, has once more posted year-on-year growth in loans and deposits. The new loan production branches opened over the last two years have been a key driver of this increase. The specialized services, mainly in the healthcare sector, together with the commitment to the provision of services with international coverage and of Corporate & Investment Banking, have also contributed to this increase. A new business unit has been set up specializing in the transport world to serve customers in sectors related to logistics and maritime, rail and air transport. In digital services, Compass e-Access Mobile has been launched in 2014. This is a new cash management application that simplifies tasks such as management of accounts and transfers.

Corporate & Investment Banking (CIB)

Expansion of the range of products and services and special attention to larger customers

The expansion of the product and service offering of Corporate & Investment Banking (CIB) to cover current and potential BBVA Compass customers in the Sunbelt region has had satisfactory results in 2014. Working very closely with the Commercial Banking unit, CIB has increased its loan book and at the same time offers sophisticated services such as currency exchange, derivatives and various cash management products, as well as financial advice. The CIB unit has also extended its customer base in the banking sector and reached out to larger U.S. companies and multinationals that it did not serve before. The capacity to act as a lead bank, bookrunner and service bank has led to greater diversification and growth of revenue of the BBVA franchise in the United States through items such as fees and commissions, and to stronger customer relations.

Retail Banking & Wealth Management

Strong results and focus on a differential digital value proposition

The strength shown both by loans and customer funds, in particular residential mortgages and low-cost deposits, have allowed the Retail Banking & Wealth Management unit to register strong annual earnings. The generation of revenue from fees and commissions has also been positive, due basically to increases resulting from asset management, the sale of insurance and processing services for businesses.

Retail Banking & Wealth Management is focused on the creation of a differential digital value proposition for its customers through the use of innovative and interactive technology. This provides them with simpler and more efficient ways of managing their finances. Over the year, it launched the BBVA Compass Payroll Service to help small businesses and SMEs manage their payrolls through online banking. This service includes automation of payroll payments, tax management and various tools that offer customized reports. The unit has also launched Secure Send, a new digital service through which BBVA Compass customers can send money to 20 countries at any time thanks to the advantages offered by online and mobile banking. Bancomer Transfer Services (BTS) has signed an agreement with Wal-Mart in Mexico and Central America to allow people to collect the remittances sent by the bank's customers from the United States in more than 1,100 retail outlets in the region.

Over the year, BBVA Compass has also begun to replace its customers' credit cards with new ones with EMV chips that encrypt the card data and make forgery more difficult. The bank began in 2013 to provide customers in the small business and SME segment with the tools they need to accept BBVA Compass with EMV chips.

Lastly, the new complaints management system designed to resolve customer incidents quicker and avoid repeating them in the future has entered its final phase. This system aims to standardize and monitor practices with the aim of resolving any complaints and improving customer experience.

Main highlights

On March 28, 2014 the Fed published the results of its comprehensive **capital** analysis and review (CCAR) of the main financial groups in the country. BBVA Compass was included on the list and received unqualified approval for its capital plan. In addition, the Fed has revealed that the bank complies with the minimum regulatory capital requirements in the hypothetical case of a severely adverse scenario, as determined by the regulator. The above demonstrates the solvency of BBVA's subsidiary in the country and recognizes the soundness of the capital management policies and procedures of BBVA Compass. In addition, in September the results of the mid-year company-run stress test under the Dodd-Frank Act were made public. The test was carried out in the second quarter, and with the figures as of the close of March 2014, the BBVA franchise in the United States has shown sound levels of capital, far higher than those required, even in a hypothetically extremely adverse scenario.

BBVA Compass has received unqualified approval for its capital plans

In **liquidity** management, for the first time in seven years, the U.S. franchise has issued senior debt for USD 1 billion in two tranches, one for USD 400 million at 3 years and the other for USD 600 million at 5 years. This issue has been well received by the market, with a total demand of USD 2.5 billion. The issue aims to diversify the sources of funding.

For the first time in 7 years, BBVA Compass has successfully accessed the wholesale markets with the aim of diversifying its sources of funding

The most notable aspect with respect to **brand recognition** is that BBVA Compass earned top spot in *American Banker's* Annual Reputation Survey, which measures the reputation of the 25 biggest retail banks in the United States. Its score of 78.9 is 12 points higher than last year. The survey rates seven categories: governance, products and services, performance, innovation, working environment, leadership and the impact on local communities. BBVA Compass is the only banking institution that scores within the top five in all the categories. It has also been named one of the best regional banks by NerdWallet, a website that compares financial products, due to the characteristics of its products and services that are considered key for consumers: high-yield savings, lack of fees for many of the services offered, service quality, and customer service (easy mobile access or through ATMs). In addition, products such as the ClearConnect Checking account and mobile banking applications have proved very popular and are highly ranked in NerdWallet's first Consumer Banking Index for the fall of 2013.

BBVA Compass has achieved the second-highest score in a report by WalletHub on the level of transparency in banking information for customers, called the 2014 Checking Account Fee Transparency Report. The achievement is largely the result of the implementation of the Global Plan for Transparent, Clear and Responsible Communication (TCR Communication) in the country.

Other aspects in this area have been:

- BBVA Compass became the official sponsor of the Houston Dash, the newest member of the National Women's Soccer League. BBVA Compass and Dash have also undertaken to work together on several community initiatives in Houston.

- The renewal of the agreement making BBVA Compass the official bank of the NBA for the next three years has been announced. A digital campaign has been run to celebrate this announcement starring the players Kevin Durant and James Harden.

- BBVA Compass will continue to maintain its role as partner of the BBVA Compass Rising Star Challenge, an exhibition game that is played during NBA All-Star weekend between first and second-year players.

As regards **prizes and awards**, apart from those mentioned below for responsible banking, *Money Magazine* chose BBVA Compass as one of the best banks in the United States in a ranking of 70 of the country's largest banks (including online banking competitors). This magazine has also chosen it as the best mid-sized bank in the South of the United States and one of the leading banks for small businesses. Lastly, the magazine selected the BBVA Compass ClearConnect account for companies as one of the best for its features (for example, the possibility of performing unlimited free digital transactions). In addition, BBVA Compass has obtained a position in the ranking of the Best Banks in America prepared by the magazine *Money*. It has been named best medium-sized bank in the south of the country and one of the best banks for small businesses. In addition, the bank ranked 12th nationally by the United States Small Business Administration (SBA) in terms of SBA loan volume in fiscal year 2014 . BBVA Compass has also been chosen Rising Star in El Paso and Texas, the seventh biggest credit institution by volume in Houston and the credit institution of the year by the SBA for express loans in Alabama.

In responsible banking, BBVA Compass has received several awards for its work in 2014

Lastly, in **responsible banking**, the highlights in the quarter are as follows:

- BBVA Compass was among the four companies cited for high-quality sustainability reporting in the *Corporate Citizen*, Boston College's Carroll School of Management magazine.

- BBVA Compass has been recognized by Americans for the Arts as one of the ten companies in the country that provide most support for the arts, thanks to the bank's commitment through scholarships, local collaboration, volunteer programs and sponsorship.

- One Week Challenge: Build a Better Community has been a success among BBVA employees in the United States, with participating volunteers putting in more than 4,000 hours. Over the week, over 1,000 employees gave financial literacy classes or provided local community support for organizations.

- BBVA Compass and NBA Cares have successfully completed a year of financial literacy classes for 25,000 students in 400 schools. This training has been closely based on the EverFi's program, whose classes include a complete range of financial solutions for today's generation, which is much more digitally minded.

- For the third time, BBVA Compass was among the 23 financial institutions recognized by the Financial Services Roundtable at the Corporate Social Responsibility Leadership Awards ceremony. This major recognition is a result of the bank's firm and proven commitment to the local communities in which it operates.

- BBVA Compass's efforts to provide its customers with a clear and transparent banking service have been recognized with second place in the 2014 Checking Account Transparency Report of the WalletHub comparison website. It has also obtained the highest scores in a study by The Pew Charitable Trusts that evaluates the practices of the leading U.S. banks in checking accounts.

- The bank has made a donation to the Museum of Fine Arts of Houston to contribute to its remodeling.

- Lastly, in November 2014, BBVA Compass announced one of the most important initiatives, a program of loans, investments and services aimed at helping people and neighborhoods with low-middle income. The bank is also planning to present new distribution channels, products and services in 2015 for people with low incomes.

Eurasia

Highlights in 2014

- Good performance of Garanti in a complex environment.
- In Europe, lower deleveraging process and excellent performance of customer deposits.
- Active portfolio management.

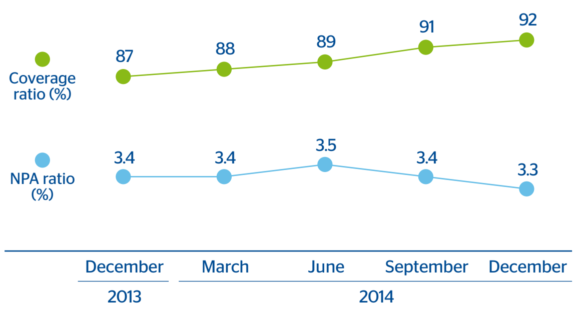
Activity [1]

Year-on-year changes at constant exchange rates
Balances as of 31-12-2014

+1.6% Loans

+24.2% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rates

Net interest income	924	+13.0%
Gross income	1,680	+5.1%
Operating income	942	+3.1%
Net attributable profit	565	+36.3%

(1) Loans under management and customer deposits under management (excluding repos).

Income statement [1]

(Million euros)

	Eurasia				
	2014	Δ%	Δ% [2]	2013	2012
Net interest income	**924**	**1.7**	**13.0**	**909**	**851**
Net fees and commissions	378	(3.0)	3.1	390	451
Net trading income	151	(22.4)	(21.6)	195	131
Other income/expenses	227	1.5	2.7	224	232
Gross income	**1,680**	**(2.1)**	**5.1**	**1,717**	**1,665**
Operating expenses	(738)	0.2	7.8	(736)	(779)
Personnel expenses	(387)	0.9	8.0	(384)	(404)
General and administrative expenses	(304)	0.8	8.4	(301)	(320)
Depreciation and amortization	(47)	(7.7)	2.1	(51)	(54)
Operating income	**942**	**(3.9)**	**3.1**	**981**	**886**
Impairment on financial assets (net)	(203)	(38.5)	(34.4)	(330)	(328)
Provisions (net) and other gains (losses)	(27)	(57.9)	(56.2)	(65)	(49)
Income before tax	**713**	**21.5**	**31.3**	**586**	**508**
Income tax	(147)	7.0	15.1	(137)	(105)
Net income	**565**	**25.9**	**36.3**	**449**	**404**
Non-controlling interests	-	-	-	-	-
Net attributable profit	**565**	**25.9**	**36.3**	**449**	**404**

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.
(2) At constant exchange rates.

Balance sheet [1]

(Million euros)

	Eurasia				
	31-12-14	Δ%	Δ% [2]	31-12-13	31-12-12
Cash and balances with central banks	2,677	3.1	(0.9)	2,596	2,346
Financial assets	9,627	35.9	32.7	7,085	12,027
Loans and receivables	30,741	2.5	0.5	30,004	32,087
Loans and advances to customers	28,199	3.5	1.6	27,247	29,245
Loans and advances to credit institutions and others	2,542	(7.8)	(10.3)	2,757	2,842
Inter-area positions	-	-	-	-	-
Tangible assets	247	(9.6)	(12.4)	273	309
Other assets	1,375	8.6	5.3	1,267	1,554
Total assets/Liabilities and equity	**44,667**	**8.4**	**6.0**	**41,223**	**48,324**
Deposits from central banks and credit institutions	9,817	1.0	(1.1)	9,725	13,665
Deposits from customers	22,671	28.6	25.3	17,634	17,470
Debt certificates	1,298	8.1	3.4	1,201	964
Subordinated liabilities	633	10.0	9.8	575	899
Inter-area positions	1,278	(77.1)	(77.1)	5,573	5,471
Financial liabilities held for trading	408	25.0	22.7	327	414
Other liabilities	5,206	69.4	62.0	3,073	4,834
Economic capital allocated	3,357	7.7	6.3	3,115	4,607

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.
(2) At constant exchange rates.

Relevant business indicators

(Million euros and percentage)

	Eurasia		
	31-12-14	31-12-13	31-12-12
Performing loans (1)	28,481	28,027	27,621
Customer deposits under management (1-2)	20,952	16,867	14,953
Mutual funds	1,549	1,332	1,408
Pension funds	852	634	608
Efficiency ratio (%)	43.9	42.9	46.8
NPA ratio (%)	3.3	3.4	2.8
NPA coverage ratio (%)	92	87	87
Cost of risk (%)	0.68	1.11	0.97

(1) Figures at constant exchange rates.
(2) Excludes repos.

Definition of the area

This area includes the activity carried out in the rest of Europe, excluding Spain, and in Asia, i.e. the Group's retail and wholesale businesses in the area. It also includes BBVA's stakes in the Turkish bank Garanti and in the Chinese banks CNCB and CIFH (an agreement was signed in December 2014 for the sale of the stake in CIFH, whose execution is subject to obtaining the required authorizations).

Garanti is a group that provides integrated financial services for each segment in the banking sector, including retail, corporate and SME banking, payment channels, and private and investment banking. It also has its own subsidiaries in the pensions, life insurance, leasing, factoring, brokerage and asset management sectors. Garanti owns international subsidiaries located in the Netherlands, Russia and Romania. It provides service to 12.8 million customers through a workforce of 19,036 people across a network of 1,005 branches and has 4,152 ATMs, according to data available at the close of 2014. It also serves its customers through a call center and mobile banking, social media and Internet platforms built using a state-of-the-art technological infrastructure.

Macro and industry trends

Economic activity in the **Eurozone** grew at moderate levels, although with some improvement in the second half of 2014. Household consumption and exports have been slightly stronger than investment, which continues to be held back by moderate economic activity and spare capacity. While in previous years the crisis was concentrated in the economies of the periphery, in 2014 the weakness has been focused on the region's larger countries. The crisis between Ukraine and Russia and the exchange of sanctions between the European Union and Russia have affected confidence and exports, above all in Germany, where private investment remains sluggish. In France and Italy, domestic factors have weighed more heavily on economic activity, as the pace of reforms has been slower than would be expected. Meanwhile, the countries in the periphery are in some cases back on the path to growth. In Spain and Ireland, activity is improving faster than in the countries in central Europe. Overall, the Eurozone grew by 0.8% in 2014 and in 2015 it is expected to grow above 1%. Several factors support this recovery: a more favorable international environment, the euro's depreciation against the dollar, the decline in oil prices, the introduction of banking union, more accommodative monetary and fiscal policies in general and practically neutral budgets expected for 2015.

Improvement in confidence in the Eurozone, above all in the second half of 2014

Inflation remains at very low levels, far from the ECB medium-term target of price stability. As a result, the ECB has implemented a program of quantitative easing based on the purchase of additional assets, in order to increase inflation expectations among agents and avoid the risk of deflation. Thus, at the start of October, the ECB announced the main details of the asset-backed securities purchase program (ABSPP) and the third covered bond purchase program (CBPP3), which would last at least two years.

The European financial sector is moving toward banking union

As regards the area's financial system, the highlights are:

- Key progress toward banking union. The creation of the Single Resolution Fund has been agreed and it is expected to be operative since 1 January 2016. In addition, the Directive for Banking Recovery and Resolution was passed and will apply as of January 2015. Among its aspects, it covers the circumstances for triggering the resolution of an entity and the mechanisms for bail-in.

- Comprehensive assessment process for the 128 banks that at the close of 2014 had to be subject to ECB supervision, as mentioned already.

- Approval by the ECB of a broad package of measures, including: a cut in interest rates that left the basic open market transaction rate at 0.05% (after the last cut realized in September) and the deposit window rate in negative territory for the first time ever; an announcement of various targeted longer-term refinancing operations (the aforementioned TLTROs); and starting in October, the launch of a purchase program of covered bond and asset-backed securities, as mentioned already. Lastly, on September 18 and December 15, 2014, details of the first and second targeted longer-term refinancing operation (TLTRO) auctions were released. These are the first two of eight auctions planned until June 2016 to help in the transmission of monetary policy and promote lending to the private sector.

In Turkey, economic growth seems to have improved at the end of the year, due to the contribution of the foreign demand and the positive effect of the decline in oil prices

In **Turkey**, the cyclical position of the economy changed over 2014. The effects of the tightening of monetary and macroprudential policy implemented in early 2014 began to be felt at the end of the second quarter in domestic demand, which reduced its contribution almost to zero. This situation, combined with the depreciation of the exchange rate, facilitated the process of adjustment of the external imbalances. After moderating in the third quarter, economic growth seems to have improved in the last few months of the year, due largely to the contribution of the foreign demand and the positive effect of the fall in oil prices. As a result, activity in 2014 is expected to grow at rates of around 2.5%. The reduction in the cost of energy is helping moderate inflation and the current-account deficit, giving the Central Bank of Turkey (CBRT) more room for maneuver. In the year as a whole, the increase in global risk aversion and reduced investment flows to the emerging economies have accelerated the depreciation of the Turkish lira (–12.8% in average exchange rates against the euro), despite the final upturn that led to the year closing with a rate 4.5% higher than in December 2013.

Business activity in the Turkish banking sector still growing at double-digit rates, the NPA ratio remains stable and there is downward pressure on bank margins

With respect to the Turkish financial sector, the rate of growth in lending has continued to moderate (particularly in loans to individuals), though it is still increasing at double-digit rates, according to the latest figures from December 2014. This moderation is a reflection of a less expansive monetary policy by the CBRT (from May to July it cut the reference rate by 175 basis points) and the adoption of macroprudential measures. The NPA ratio in the sector remains stable at around 3%. Fund gathering in the private sector has also slowed, above all in local-currency deposits. In terms of solvency, the sector has sound levels of capitalization. Lastly, the monetary policy tightening measures and the significant hike in interest rates in the first quarter of 2014 have led to a rise in the cost of liabilities and temporary downward pressure on bank margins.

In **China**, GDP continues to slow, with forecast growth for 2015 of 7.0% compared with the expected 7.4% for 2014. As a result, demand, fiscal and, above all, monetary policies have room for responding to modulate the rate of GDP growth.

Some progress has been made as regards the liberalization of China's financial system. Of note in banking activity is the moderation in the growth of lending, which has prompted the Popular Bank of China (PBoC) to announce several measures over the year: in June, a cut in the reserve requirement ratio (RRR) of 0.5 percentage points for those banks that participate actively in granting loans to the agricultural sector and to small and medium-sized enterprises; and in September and October, a liquidity injection into the system of up to a maximum of CNY 700,000 million. The last financial stability report published by the PBoC in July 2014 mentions the slight impairment in asset quality, which nevertheless starts from very sound levels, and the slight decrease in the sector's profitability. Lastly, also of note is the growth in the off-balance-sheet activity of banks and the potential risk associated with shadow banking.

To better understand the changes in the business figures, the percentages given below refer to constant **exchange rates**, unless otherwise indicated. As can be seen, the impact from exchange rates has been negative on earnings, but positive on the balance sheet and business activity.

Management priorities

Active portfolio management

In **2014**, in terms of business in **Europe**, the Group has continued to focus its efforts on managing prices and handling the liquidity gap, prioritizing its relationship with customers and cross-selling rather than growth in business volume.

In **Turkey**, managing the relationship with Garanti has again been the main focus for BBVA. In November 2014, BBVA announced the acquisition of an additional 14.89% in Garanti Group from Doğuş, after four years of active cooperation, for a maximum consideration of 5.57 billion Turkish lira (around €1.99 billion). With this acquisition, BBVA will increase its exposure and influence in Garanti, while Doğuş will remain as a key shareholder, with 10% of the capital. The Group will thus become the largest shareholder in the largest bank in Turkey by market capitalization, with a clear position of leadership in a country with high growth potential. After this operation, BBVA's stake in Garanti will stand at 39.9% and it will have a majority of the members on the entity's board of directors. The final closing of this operation is expected to take place in the first half of 2015, subject to obtaining the required authorizations.

Garanti and BBVA have continued to share know-how and work in close collaboration to gain a better understanding of each other and increase the exchange of information. One aspect worth noting is the ongoing collaboration between BBVA Global Markets and Garanti for the distribution of Turkish assets among international institutional customers. The new Consumer Finance unit, which was set up in 2013 under the new strategy defined by BBVA Consumer Finance, continues to operate well. In addition, Garanti Payment Systems is developing BBVA Wallet in the Spanish market, along with other payment channel projects in other geographical areas in which the Group is present, for example, in BBVA Bancomer in Mexico. In digital banking, BBVA and Garanti have shared extensive knowledge. BBVA has implemented a new technological platform and developed the distribution model to align it with the multi-channel profile of customers, strongly supported by Garanti's technological platform. Garanti continues to handle many relationships with local corporate customers of BBVA CIB and several mutual funds launched in Luxembourg in 2013 that invest in Turkey under the BBVA Asset Management platform.

Garanti continues to be at the cutting edge of new technologies and committed to launching new products aimed at the integration on the social media, in order to maintain its position of leadership in these channels in Turkey.

Lastly, as regards BBVA's presence in **China**, an agreement was signed in December 2014 for the sale of 29.68% of CIFH to CNCB for €845m. This deal will have an estimated negative effect on earnings of around €25m, but will improve the Group's fully-loaded CET1 capital position. Another 4.9% of CNCB was sold in January 2015 in an operation that will generate a net capital gain of approximately €400m and will also have a positive impact on the Group's fully-loaded CET1 ratio. Both operations are expected to be closed in the first half of 2015, once the required authorizations are obtained. These transactions enable the Bank to anticipate future regulatory requirements and adequately and efficiently manage one of the scarcest resources: capital.

The management priorities for **2015** will be in line with those for 2014:

- In **Europe**, the focus in terms of lending will continue to be on selective growth in specific portfolios and customer segments. On the liabilities side, customer funds gathering will continue to be boosted. Price management will also be important, as well as promoting cross-selling and controlling costs, in order to maintain the value of the franchise.

- In **Turkey**, the efforts in the first half of the year will be aimed at closing the additional acquisition agreement mentioned above. In addition, managing the relationship between BBVA and Garanti will continue to be crucial, particularly in those areas where they have an extensive knowledge base and/or a leadership position. On the technological front, BBVA will continue to benefit from Garanti's technological platform expertise in different areas. Collaboration among the joint work teams of the various units will also continue to be encouraged.

- **Garanti** will continue to apply a strict cost policy and supervise the NPA flows in order to maintain asset quality levels. In terms of revenue, the sources of fee and commission generation will continue to be diversified to counteract the negative effect of the regulation approved in 2014. In business activity, retail consumer finance and business banking loans will be the main focus.

Activity analysis

Good performance by Garanti. In Europe, lower level of deleveraging and excellent performance of customer deposits

Loans under management in the area closed 2014 with year-on-year growth of 1.6%. The most notable aspect of this trend is:

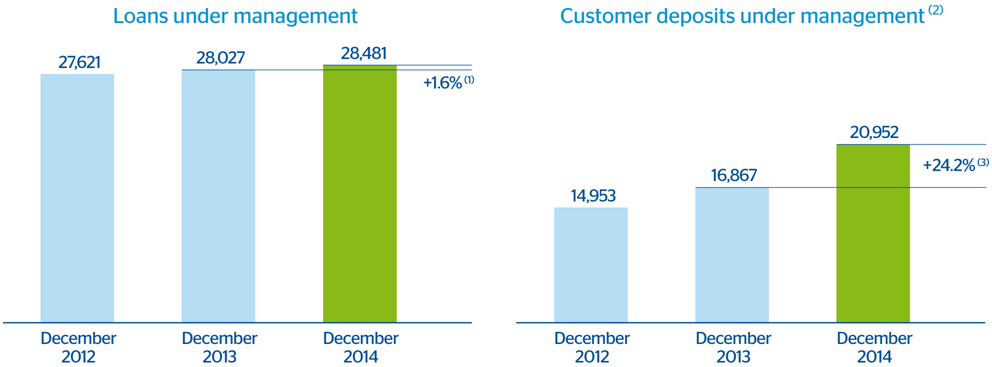
- Excluding Garanti, the deleveraging process in the business with customers in Europe and Asia continues, although at a much slower pace than in previous periods. The balance of the loan book closed 2014 at €15,308m, a year-on-year decline of 6.4% (compared with a reduction of 12.5% at the end of 2013).

- Good performance of loans under management from BBVA's stake in Garanti, which continue to grow at double-digit rates in year-on-year terms (12.8%).

- Breaking down lending activity in the Turkish bank by portfolio, there has been a year-on-year increase in Turkish lira loans of 16.3%, strongly focused on finance to companies and retail lending. Foreign-currency loans have remained flat over the last twelve months, though demand is expected to pick up in 2015.

Eurasia. Key activity data

(Million euros at constant exchange rates)

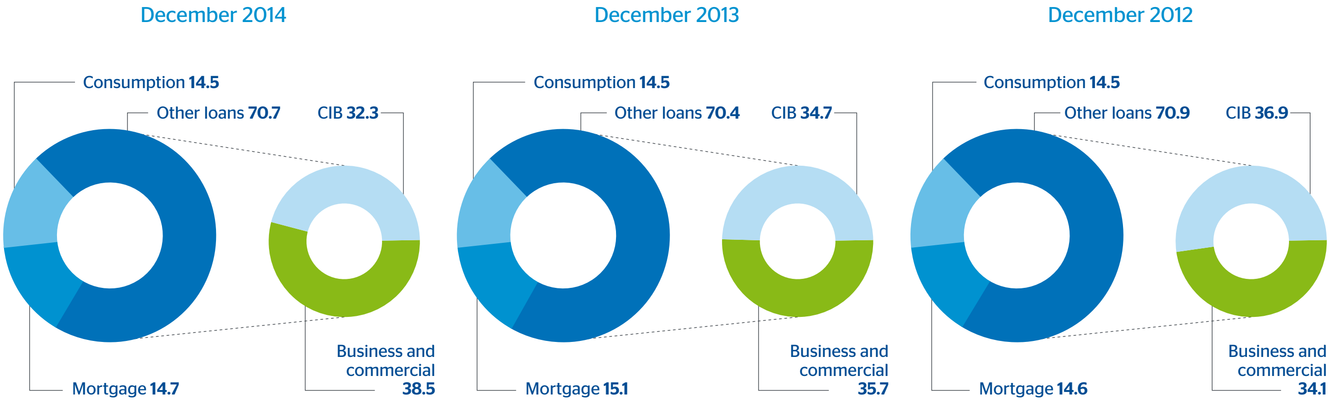


(1) At current exchange rates: +3.5%.

(2) Excluding repos.
(3) At current exchange rates: +27.3%.

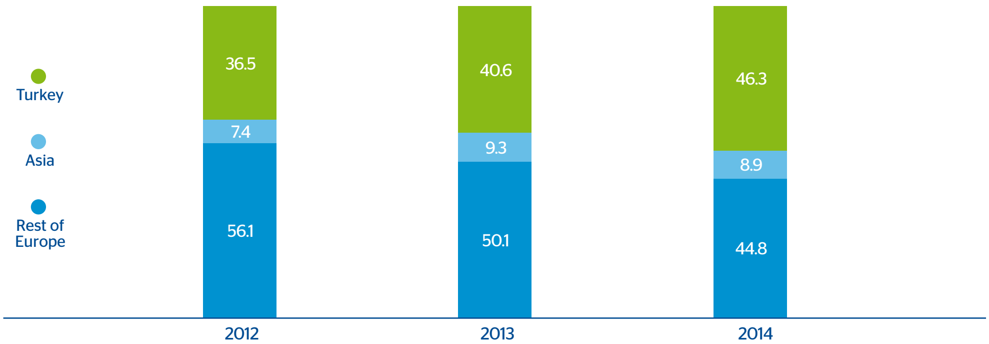
Eurasia. Loans under management breakdown

(Percentage)



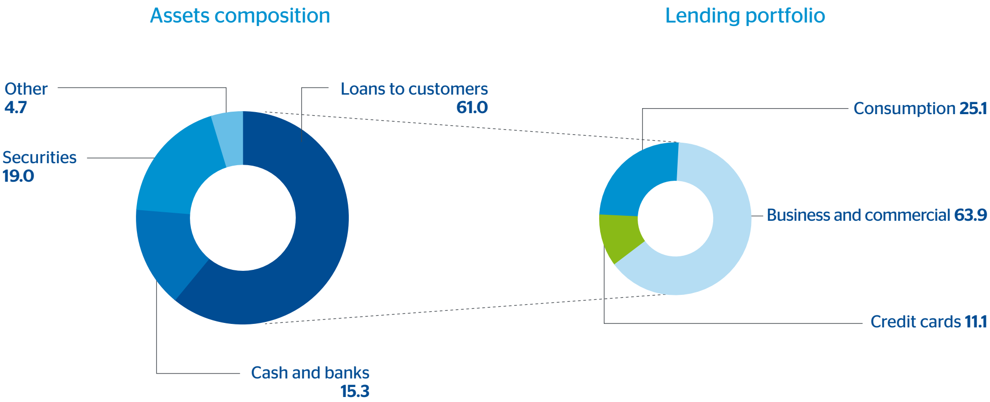
Eurasia. Loans under management breakdown by geographical area

(Percentage)



Garanti. Composition of assets and lending portfolio (1)

(Percentage as of 31-12-2014)

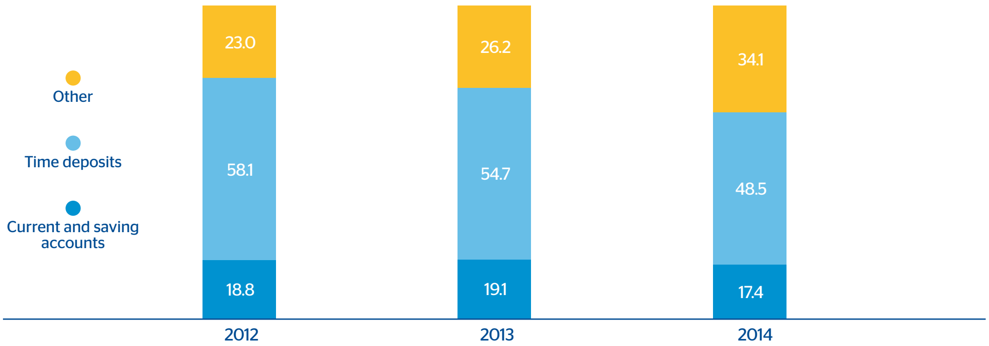


(1) BRSA figures for the Garanti Bank only.

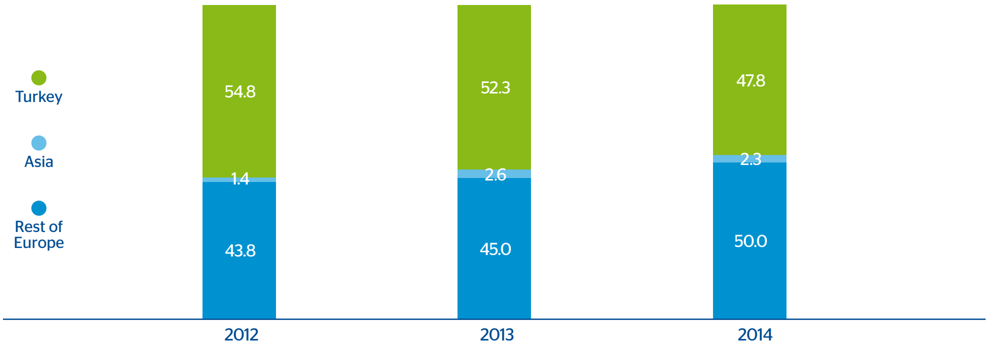
The **asset quality** indicators in the area have improved over the year. The NPA ratio stands at 3.3% and the coverage ratio at 92%, compared with 3.4% and 87%, respectively, at the close of December 2013. In fact, the indicators of asset quality in Garanti are outstanding compared with the average for the Turkish banking system.

With respect to customer **funds**, there has been a very significant increase in customer deposits under management in the area (up 24.2% year-on-year), above all over the last three months of the year (up 15.2%), particularly from customer deposit gathering in the rest of Europe and Asia (up 39.2% year-on-year). In the case of Garanti, there was an upturn in local-currency deposits in the fourth quarter, in line with the rise in the sector as a whole (up 9.2% year-on-year at the end of December 2014, compared with a fall of 3.4% year-on-year in the third quarter). As for Garanti´s foreign-currency deposits, they have also accelerated their rate of growth compared with the close of the third quarter, and at above the sector average (up 15.5% year-on-year, compared with a rise of 1.1% in the sector as a whole).

Eurasia. Breakdown of customer deposits under management
(Percentage)

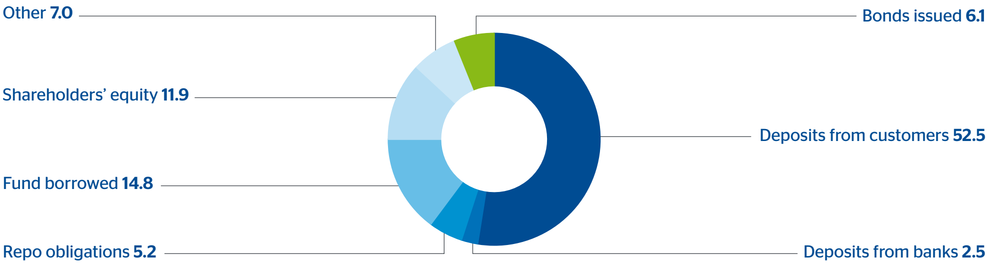


Eurasia. Breakdown of customer deposits under management by geographical area (Percentage)



Garanti. Composition of liabilities (1)

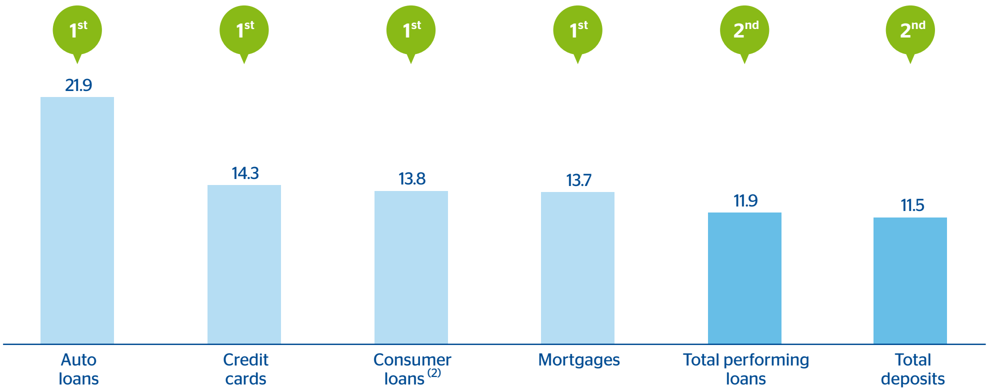
(Percentage as of 31-12-2014)



(1) BRSA figures for the Garanti Bank only.

Garanti Bank. Market shares (1)

(Percentage as of 31-12-2014)



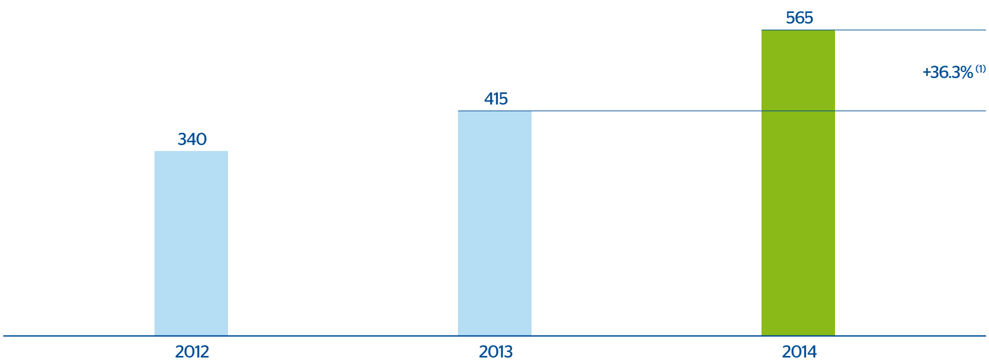
(1) Based on bank-only BRSA and figures as of December 31, 2014.
(2) Including consumer credit cards.

Earnings analysis

Eurasia generated a cumulative **net attributable profit** in 2014 of €565m, a year-on-year increase of 36.3%. This was based on:

Eurasia. Net attributable profit

(Million euros at constant exchange rates)



(1) At current exchange rates: +25.9%.

Positive performance of recurring revenue and reduction in provisions

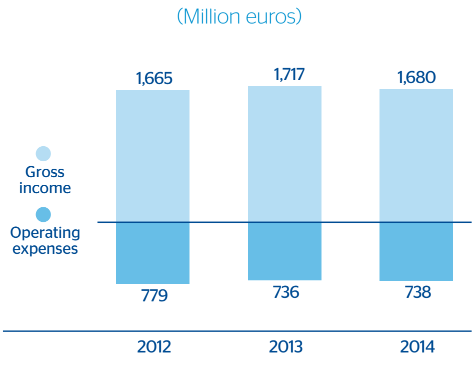
- Positive performance of **net interest income**, which picked up its rate of year-on-year growth to 13.0%, thanks to the significant rise in the last quarter (up 7.1%). The active management of customer spreads and the favorable contribution of revenue from inflation-indexed bonds, both in Garanti, are the basic reasons for this positive trend.

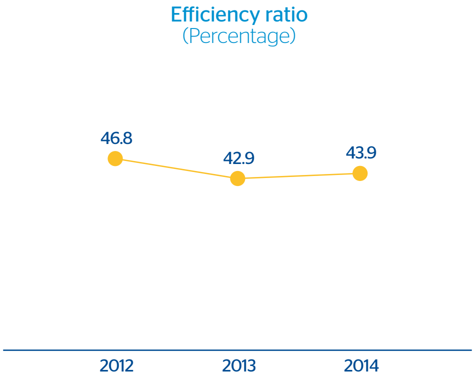
- Good performance also of **income from fees and commissions** (up 3.1% year-on-year), closely related to the increase in banking activity. More specifically, in the case of Garanti it grew by 12.8% over the last twelve months. This is a high percentage taking into account the recent regulatory changes affecting this heading. A varied and well diversified revenue base, with good performance of fees from payment systems, money transfers and insurance activities, as well as the active use of digital channels, are the main causes of this increase.

- Lower contribution from **NTI** than in 2013, which included an extraordinarily high level in the first half of the year.

- Cumulative **operating expenses** have grown at a year-on-year rate of 7.8%, strongly influenced by Garanti's commitment to strict cost discipline after the intense process of expansion carried out in 2013, in an environment of high inflation in Turkey.

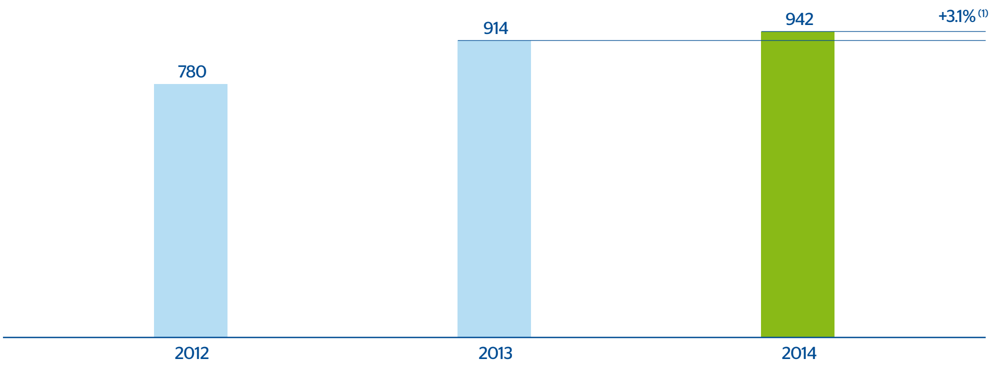
Eurasia. Efficiency





Eurasia. Operating income

(Million euros at constant exchange rates)

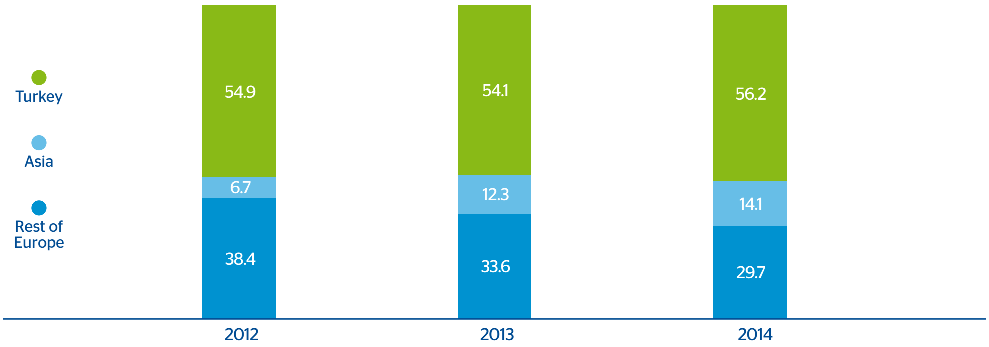


(1) At current exchange rates: -3.9%.

- Lastly, **impairment losses on financial assets** fell in year-on-year terms by 34.4%, due to the lack of any significant one-off provisions, unlike in the previous year. The cumulative cost of risk in the area as of 31-Dec-2014 stands at 0.68% (compared with 1.11% at closing of 2013).

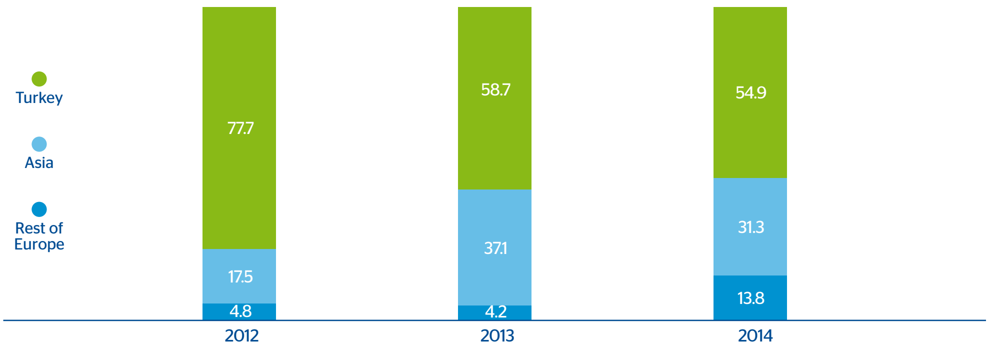
Eurasia. Gross income breakdown by geographical area

(Percentage)



Eurasia. Net atttibutable profit breakdown by geographical area

(Percentage)



The main highlights in relation to **Garanti Bank's** earnings in 2014 are summarized below:

- Sound **gross income**, which is up 9.2% year-on-year, strongly supported by the positive trend in more recurring revenue. Positive performance of net interest income (up 17.1%), thanks to good management of customer spreads (which in the fourth quarter of 2014 registered a significant improvement) and the favorable contribution of revenue from inflation-indexed bonds. Income from fees and commissions has also grown, despite being affected in the fourth quarter by the coming into force of the new regulation limiting the collection of certain types of fees (up 9%).

- **Cost** control, though the operating expenses heading has increased by 12.1% over the last twelve months, basically as a result of legally related items.

- Increase in **provisions**, strongly influenced by a one-off non-recurring item: a specific provision related to the subsidiary in Romania.

- As a result, the consolidated **net attributable profit** for 2014 stands at 3,685 million Turkish lira (around €1,268m), a year-on-year growth of 10.4%.

- The contribution of the subsidiaries to Garanti's earnings continues to increase. In 2014 they account for 13% of the consolidated net profit (15% excluding the additional provisions for its subsidiary in Romania), compared with 12% in 2013 and 8% in 2012.

Garanti. Significant data 2013 and 2014 (1)

	31-12-14	31-12-13
Financial statements (million euros at constant exchange rate)		
Attributable profit	1,101	1,034
Total assets	77,302	69,525
Loans and advances to customers	47,337	41,904
Deposits from customers	40,587	35,866
Relevant ratios (%)		
Efficiency ratio (2)	49.2	46.7
NPA ratio	2.4	2.1
Other information		
Number of employees	19,036	18,738
Number of branches	1,005	1,001
Number of ATMs	4,152	4,003

(1) BRSA data for the Garanti Bank.
(2) Normalized figure excluding the effect of regulatory and non-recurrent items.

Main highlights

Increased presence in the UAE and opening of a representative office in Indonesia

In the second quarter of 2014, with the aim of increasing the Group's presence in the **United Arab Emirates** (UAE), BBVA signed a memorandum of understanding with the National Bank of Abu Dhabi to boost its commercial and wholesale banking businesses for its customers who are already in the region or who have an interest in doing business there.

In addition, BBVA has opened a representative office in **Jakarta** (Indonesia), through which it will help Spanish companies to enter what is a market with exceptional potential. The new office, which has been in operation since the end of August, also aims to be a strategic platform for prospecting business opportunities in the country. BBVA is the only Spanish financial entity with a presence in Indonesia, where it has extensive experience in advising customers. It has also for a number of years been a leader in export credit finance.

BBVA supports Europe's entrepreneurs

In terms of **responsible banking**, BBVA has joined the two European Commission initiatives designed to boost innovation and leadership in the digital economy in Europe as founding partner. The Startup Europe Partnership has been launched with the aim of supporting entrepreneurs and their technology-based projects, while the European Digital Forum has become the think tank for entrepreneurs, politicians and lawmakers.

BBVA and Garanti Bank have headed up the financing of the STAR project to build a refinery on Turkey's west coast. This is one of the biggest project finance operations ever closed in the country. It has a very important strategic value in terms of reducing Turkey's dependence on the import of petrochemical products. The close of this operation has been the result of the joint effort and collaboration between teams including BBVA's Project Finance and Global Trade Finance, together with those of Garanti Bank.

Garanti:

- Has continued its efforts to obtain and diversify its sustainable long-term **sources of funding**, in addition to expanding and developing its investor base. The following have been completed:
  - Two Eurobond issues, one for USD 750m with a maturity of 5.5 years and a 4.75% coupon, and one for €500m with a maturity of 5 years and a 3.375% coupon.
  - The renewal of the global medium-term note (GMTN) program, issuing the equivalent to USD 980m in the medium term. This portfolio is currently valued at USD 750m, with an average maturity of 2.84 years.
  - Two DPR (diversified payment rights, a type of Turkish securitization) transactions for USD 550m with a maturity of 21 years and USD 500m with a maturity of 5 years, respectively.
  - The signing of a 6-year agreement with the EIB to provide funding for SMEs, for 218m Turkish lira.
- Garanti's **responsible banking** policy continues to be focused on improving access to financial services for the disabled, on education and on supporting entrepreneurs, especially women.
  - In the first quarter of the year, the activity carried out by the Women Entrepreneur Executive School has been extended to the city of Diyarbakir, in the east of the country.
  - The Turkish bank has also signed agreements with various institutions, including the Bosphorus University Business Angels Network and the Entrepreneurship Foundation, to support entrepreneurs and make it easier for students to access knowledge related to entrepreneurship.
  - Garanti has been the first bank in the region to adopt the Women's Empowerment Principles developed by the United Nations' Global Compact and UN Women.
- Under the **prizes and awards** heading:
  - Garanti's Investor Relations team has received a number of awards, including for its annual report (Bronze Stevie Award, Gold at the Vision Awards Annual Report Competition and Silver at the ARC Awards) and for its website (Gold Stevie Winner for Best Investor Relations Site and Silver Galaxy Award).
  - Other prizes and awards received by Garanti include:
    - Best Trade Finance Bank in Turkey from *Global Finance*.
    - 2013 European Rising Star Award-Cross-Border Funding Acceleration, granted by MTN-i for its effective management of relations with global investors and with debt capital markets. Garanti is the only Turkish bank that has received this recognition.
    - Garanti Securities was named Best Equity House at the Europe Banking Awards 2013 organized by EMEA Finance.
    - Garanti Bank Romania was named Bank of the Year 2013 by the local publication Nine O'Clock and Garanti Fleet, in the automobile category. It also received The Outstanding Achievement award at the Interactive Media Awards (IMA) for its new sales platform.
    - In addition, Garanti received the European Power Deal of the Year award from *Euromoney* for the privatization of the Seyitömer coal-fired power station, in which the bank acted as lead arranger.
    - Garanti received the Sustainability Award - Environmental and Social Performance for its comprehensive social and environmental risk assessment system.
    - Garanti has also been recognized as Best Bank in Sustainability by the Turkish Green Building Council at the 3rd International Green Building Summit.

Garanti has completed several operations to diversify its sources of funding, in addition to various responsible banking initiatives

Garanti received several prizes and awards in 2014

- For the second time, Garanti received the Best Bank for Sustainability in Turkey award organized by *World Finance*.

- Garanti also received the Most Innovative New Solution award for its Second-Hand Car Stock Financing System, granted by the magazine *Global Finance* at the international competition that selects the World's Best Treasury and Cash Management Providers.

- Garanti has been recognized by *Global Capital*, among emerging markets, as the best medium-term note (MTN) issuer for its successful granting of loans on international fixed-income capital markets.

- It has also been named for the third time as the "Best Domestic Cash Management Bank in Turkey" for its customer-centric approach. The award was voted by customers in the 2014 Euromoney Cash Management Survey.

- As regards new technologies, Garanti's smartphone app, iGaranti, has received several prizes and awards. It obtained the highest score in 2014 in Forrester Research's European Mobile Banking Functionality Benchmark Report as The Most Functional Mobile Banking Application, with 80 points out of 100 (the average score was 61), in a functionality comparison survey conducted among the mobile banking services of 11 European banks. Other prizes and awards include: the Gold Mixx award in the Best Mobile Application category; the Silver and Bronze Mixx awards for The Most Targeted Mobile Ad for mobile banking, in the Experimental and Innovative Campaign and Mobile Campaigns categories, respectively, at the Mixx Awards Turkey; and the Best Mobile Banking Experience Award in the SmartCard & Payment category, in Dubai.

Mexico

Highlights in 2014

- Excellent performance of business activity translated to all the income statement.
- Growth of revenues higher than costs.
- Bank leader in Mexico.

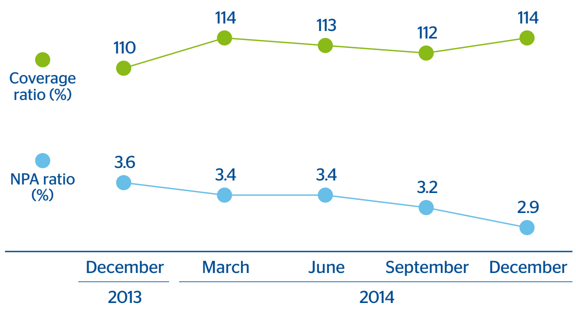
Activity (1)

Year-on-year changes at constant exchange rate
Balances as of 31-12-2014

+12.2% Loans

+7.7% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rate

Net interest income	4,910	+14.1%
Gross income	6,522	+9.6%
Operating income	4,115	+10.8%
Net attributable profit	1,915	+10.7%

(1) Loans under management and customer deposits under management (including all the repos).

Income statement

(Million euros)

	Mexico				
	2014	∆%	∆% (1)	2013	2012
Net interest income	**4,910**	**9.6**	**14.1**	**4,478**	**4,174**
Net fees and commissions	1,166	(1.4)	2.6	1,183	1,072
Net trading income	195	(6.3)	(2.4)	208	219
Other income/expenses	250	(22.9)	(19.8)	325	286
Gross income	**6,522**	**5.3**	**9.6**	**6,194**	**5,751**
Operating expenses	(2,406)	3.3	7.6	(2,329)	(2,160)
Personnel expenses	(1,020)	2.4	6.6	(996)	(907)
General and administrative expenses	(1,199)	2.5	6.7	(1,170)	(1,119)
Depreciation and amortization	(187)	15.0	19.7	(163)	(133)
Operating income	**4,115**	**6.5**	**10.8**	**3,865**	**3,590**
Impairment on financial assets (net)	(1,517)	5.1	9.4	(1,443)	(1,326)
Provisions (net) and other gains (losses)	(79)	22.2	27.2	(64)	(41)
Income before tax	**2,519**	**6.9**	**11.2**	**2,358**	**2,223**
Income tax	(604)	8.7	13.1	(555)	(536)
Net income	**1,916**	**6.3**	**10.7**	**1,802**	**1,687**
Non-controlling interests	(1)	4.4	8.7	-	-
Net attributable profit	**1,915**	**6.3**	**10.7**	**1,802**	**1,687**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Mexico				
	31-12-14	∆%	∆% (1)	31-12-13	31-12-12
Cash and balances with central banks	6,004	(2.8)	(3.9)	6,175	5,968
Financial assets	34,311	16.2	14.9	29,528	29,396
Loans and receivables	47,800	15.2	13.9	41,482	42,157
Loans and advances to customers	45,224	15.8	14.5	39,059	37,379
Loans and advances to credit institutions and others	2,576	6.3	5.1	2,423	4,778
Tangible assets	1,662	28.6	27.2	1,292	1,168
Other assets	3,953	18.9	17.6	3,323	4,033
Total assets/Liabilities and equity	**93,731**	**14.6**	**13.3**	**81,801**	**82,722**
Deposits from central banks and credit institutions	11,617	28.2	26.8	9,061	15,760
Deposits from customers	45,937	8.2	7.0	42,452	35,792
Debt certificates	5,033	28.5	27.0	3,917	3,952
Subordinated liabilities	4,128	13.8	12.5	3,627	4,249
Financial liabilities held for trading	7,616	31.7	30.2	5,784	5,830
Other liabilities	14,432	13.7	12.4	12,690	12,498
Economic capital allocated	4,968	16.3	15.0	4,270	4,642

(1) At constant exchange rate.

Relevant business indicators
(Million euros and percentage)

	Mexico		
	31-12-14	31-12-13	31-12-12
Performing loans (1)	43,767	39,018	35,628
Customer deposits under management (1-2)	44,437	41,268	38,079
Mutual funds	18,691	16,896	17,492
Pension funds	-	-	-
Efficiency ratio (%)	36.9	37.6	37.6
NPA ratio (%)	2.9	3.6	3.8
NPA coverage ratio (%)	114	110	114
Cost of risk (%)	3.45	3.55	3.47

(1) Figures at constant exchange rate.
(2) Including all the repos.

Definition of the area

This area comprises the banking and insurance businesses conducted in Mexico by BBVA Group (hereinafter, "BBVA Mexico").

Macro and industry trends

The downward revision of the factual **GDP** data for the first half of 2014 and the weakness in the recovery of domestic demand in the third quarter led to a steady reduction in Mexico's growth estimates for 2014. The outlook for 2015 has improved with the expansion in the United States, the country's largest trading partner, despite the persistence of some risks (the fall in oil prices and what is still a moderate increase in demand from the public sector). In this environment, Banxico can be expected to start increasing its interest rates in 2015, in line with the current Fed outlook.

Moderate economic growth

An ambitious infrastructures program is also expected to be undertaken by the Mexican government in 2015. This will have a positive impact on the country's economy, as will the foreseeable increase in exports of manufactured goods to the United States (particularly those related to the automobile sector). Starting in 2016, the effect of the structural reforms being implemented will begin to have a positive impact on growth.

With respect to inflation, after closing 2014 at 4.1%, in 2015 it is expected to fall and converge with the 3% target set by the Bank of Mexico (Banxico), supported by the favorable base effect and the credibility of monetary policy.

Solvency ratios in the **financial system** continue to be high. The total capitalization ratio stood at 15.6% in November 2014, with adequate liquidity levels and good profitability. In terms of activity, lending to the private sector registered a year-on-year growth rate of 10.6%, according to the latest available information as of December 2014 from the National Banking and Securities Commission (CNBV). Fund gathering (demand and time deposits) also shows a positive trend, with a year-on-year increase of 10.5%, according to the latest available information from the CNBV. The NPA ratio remains stable at around 3%.

The banking sector has high solvency, an adequate level of liquidity, good profitability and stable risk indicators

In the last weeks of 2014, the **exchange rate** of the Mexican peso against the U.S. dollar depreciated due to three factors: stronger economic growth in the United States, in an environment of risks of deflation in the Eurozone and slower economic growth in China, leading to greater demand for

U.S. financial assets; the decline in oil prices; and more moderate domestic economic growth. In year-on-year terms, the peso's fixing against the euro gained 1.1%. Average exchange rates show a depreciation of 3.9% over the year. This means that the impact of the exchange rate on the year-on-year changes in the income statement headings is negative, while slightly positive on the balance sheet and activity. All the comments below on rates of change will be expressed at constant exchange rates, unless expressly stated otherwise.

Management priorities

The area's management priorities continue to be strongly focused on the Transformation Plan launched in 2013

A **Transformation Plan** was launched in 2013 aimed at consolidating the franchise's leading position in the Mexican market, increasing profitability and productivity, and working in a simpler and more efficient way, with the clear goal of improving service quality. At the close of 2014, approximately USD 1,500m had been invested of the USD 3,500m planned for 2013-2016. The Transformation Plan is based on the following initiatives:

- Remodeling of the entire branch network into the new model of segmented and specialized service for each type of customer.
- Full implementation of the "Experiencia Única" (Unique Experience) model across all the business networks, which standardizes the service protocols and modifies branch management to improve the service quality. This new model also entails a change to the incentives scheme and the internal processes with the aim of increasing branch productivity, profitability and efficiency.
- Improvement of the business models with the aim of boosting commercial activity and earnings, despite the difficult economic environment. For example, some of the business models that have been reviewed include mortgages, payroll, cars, cards and personal banking.
- In line with the Group's corporate standards, integration of the new Corporate Assurance model into operational risk management.
- Launch of the new Digital Banking unit, with the aim of generating a broader digital offering, with low-cost solutions to increase the digital customer base.
- Launch of the www.bancomer.com website new image, incorporating significant improvements to make customer transactions quicker and easier and to increase their security.

Management priorities in **2015** will focus on:

- Continuing to make good progress in the execution of the 2013-2016 Transformation Plan.
- Implementing the new business models to continue to boost growth in commercial activity.
- Maturing the "Experiencia Única" project, which should boost branch sales and profitability.
- Developing digital products to increase the number of customers using digital channels.
- Maintaining positive performance in earnings, without this entailing a degradation of asset quality.
- Completing the new corporate headquarters, which will have positive effects for brand image, as well as implementing new, simpler and more efficient and flexible ways of working.

Activity analysis

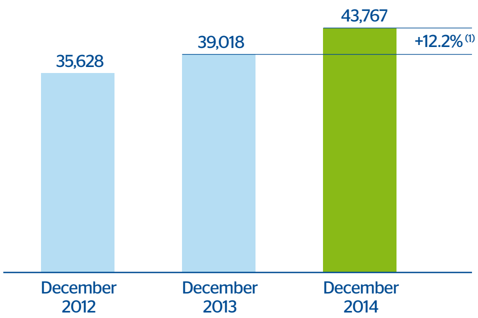
BBVA's commercial activity in Mexico throughout 2014 was positive, particularly given that economic growth has been weaker than expected. At the close of 2014, the **loan book** in the area totaled €43,767m, up 12.2% on the same date the previous year. This rise is above the average growth in the market, according to the latest local information from the CNBV.

Excellent performance of commercial activity and good risk indicators, despite the environment of still low economic growth

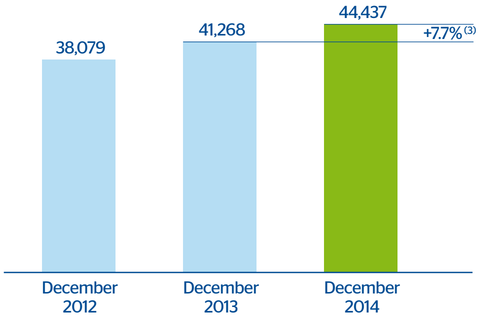
Mexico. Key activity data

(Million euros at constant exchange rate)

Loans under management



Customer deposits under management [2]

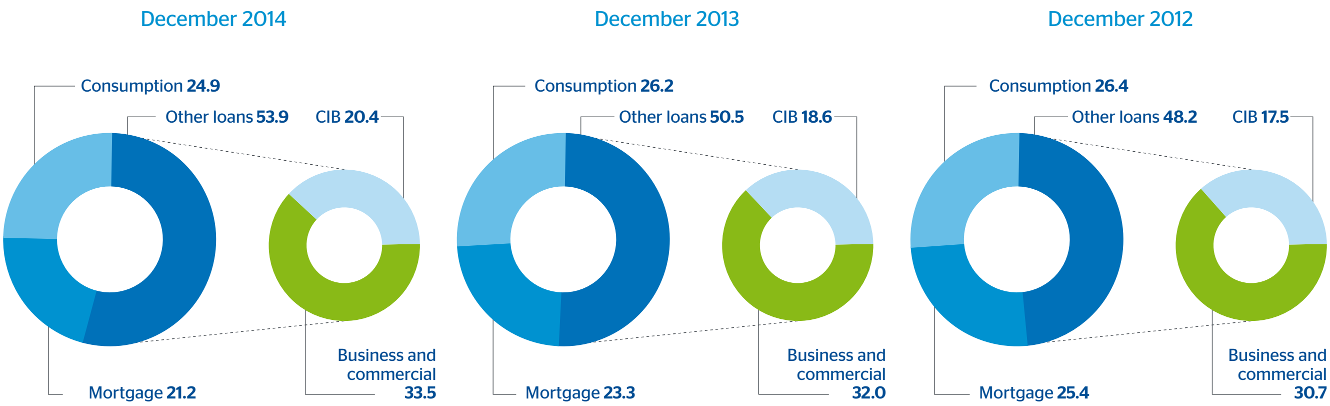


(1) At current exchange rate: +13.5%.

(2) Including all the repos.
(3) At current exchange rate: +8.9%.

Mexico. Loans under management breakdown

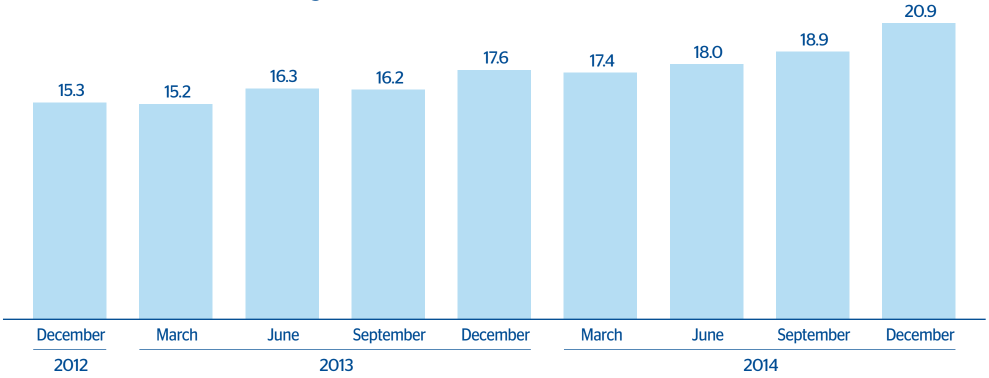
(Percentage)



The growth in loans is mainly due to the strong performance of the **wholesale banking portfolio**, which has increased its year-on-year rate of growth to 19.1%. Of particular note was the positive trend in lending to large corporations and medium-sized companies (up 23.0% and 19.5%, respectively).

Mexico. Wholesale portfolio evolution

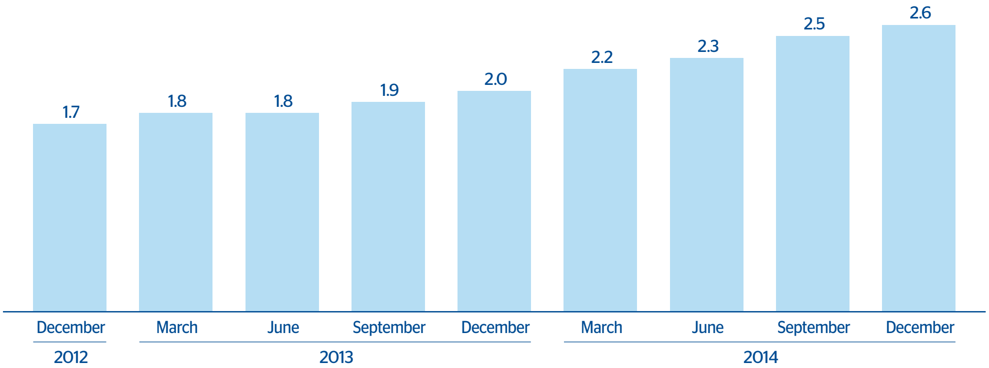
(Billion euros at constant exchange rate)



In the **retail portfolio**, the trend in loans to small businesses is also favorable, with growth over the year of 27.1%, while consumer loans (payroll and personal loans) increased at a year-on-year rate of 29.3%, while also maintaining the portfolio quality. The growth in consumer loans has been boosted by the ongoing strategy of building loyalty in the customer base. Bank credit cards are up 4.5% in the last twelve months, while the Finanzia (own brand) credit card has declined as a result of the end of the commercial agreement with Wal-Mart at the close of 2013. Lastly, of note in the residential mortgage portfolio is the significant improvement in the levels of new production, with a cumulative figure 13.6% higher than that of 2013. BBVA in Mexico now grants one of every four new mortgages in the private sector.

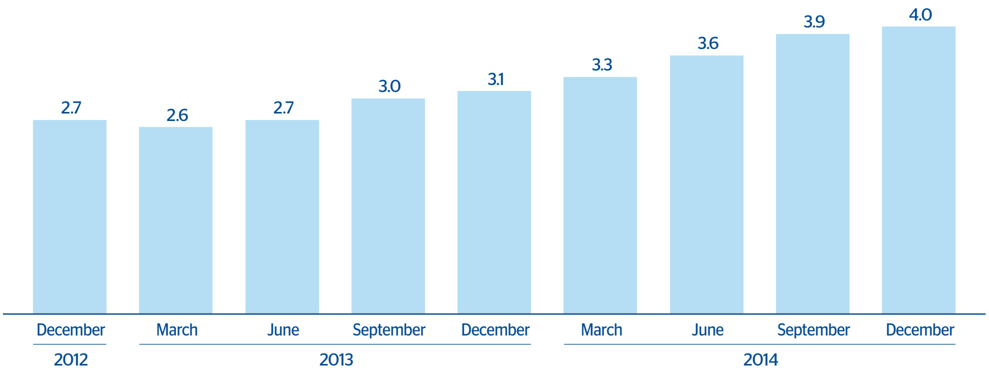
Mexico. Lending to small businesses evolution

(Billion euros at constant exchange rate)



Mexico. Consumption portfolio evolution

(Billion euros at constant exchange rate)

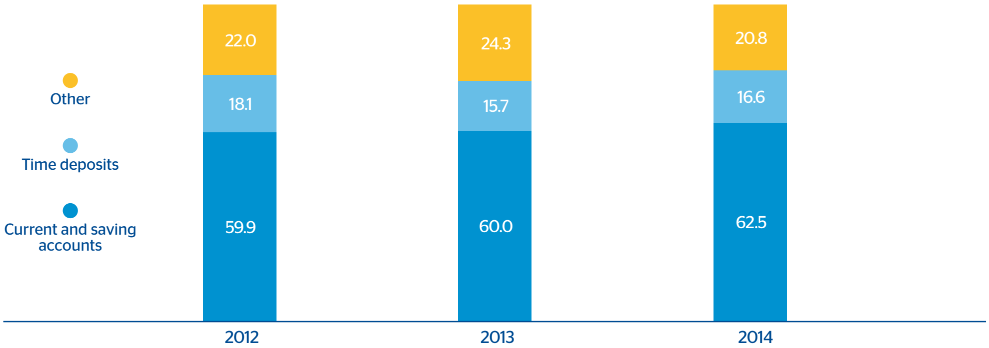


With respect to **asset quality**, the good risk management by the Mexican franchise has resulted in indicators that compare positively with those of its main competitors. Mexico has closed the year with an NPA ratio of 2.9%, 68 basis points below the figure at the close of the third quarter of 2014, and a coverage ratio of 114%, 3.5 percentage points higher than those of the end of 2013.

Customer **funds** (on-balance-sheet deposits, assets sold under repurchase agreements, mutual funds and other off-balance sheet funds) have increased at a year-on-year rate of 8.8% and totaled €66,531m as of 31-Dec-2014. The customer deposit mix is still very profitable, with a very high relative proportion of lower-cost funds: at the close of the year they accounted for 81% of deposits, with a year-on-year rise of 12.2%. The trend in time deposits remains positive (up 13.9%), and mutual funds also performed well over the year (up 9.4%).

Mexico. Breakdown of customer deposits under management

(Percentage)



Earnings analysis

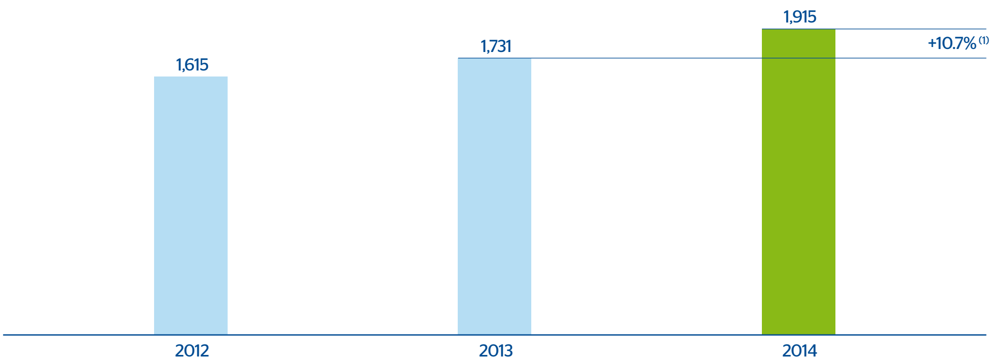
In **2014**, BBVA's income statement in Mexico showed outstanding soundness, strongly supported by a number of factors: growing generation of net interest income; adequate cost control, despite the major investment plan underway; and good risk management, reflected in the positive trend in impairment losses on financial assets and in the cumulative cost of risk (3.45% in 2014 compared with 3.55% in 2013).

Sound earnings, based on strong net interest income

As a result, the **net attributable profit** for 2014 has increased at a year-on-year rate of 10.7% to €1,915m.

Mexico. Net attributable profit

(Million euros at constant exchange rate)

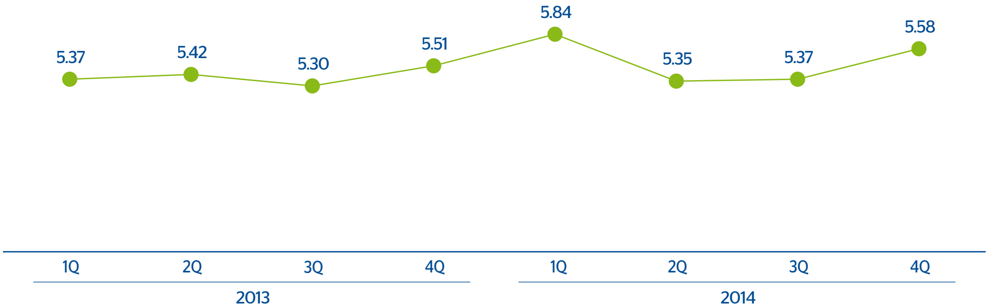


(1) At current exchange rate: +6.3%.

Net interest income stands at €4,910m, up 14.1% on the figure for 2013. Increased volumes of activity, combined with good price management, have offset the impact of falling interest rates, which are at all-time lows. The strong net interest income also allows for a favorable comparison with BBVA's main competitors in terms of net interest income over ATA, which under local criteria stands at 117 basis points above the average of its main market peers, according to their latest quarterly reports available (information as of the close of the third quarter). Income from fees and commissions has increased at a moderate rate (up 2.6% year-on-year), while NTI has declined by 2.4% due to the significant gains from portfolio sales accounted for in 2013, which has negatively affected the year-on-year comparison. The other income/expenses heading also compares unfavorably for a number of reasons, including a modest year in the insurance business. As a result of the above, **gross income** amounts to €6,522m, 9.6% above the figure for 2013.

Mexico. Net interest income/ATA evolution

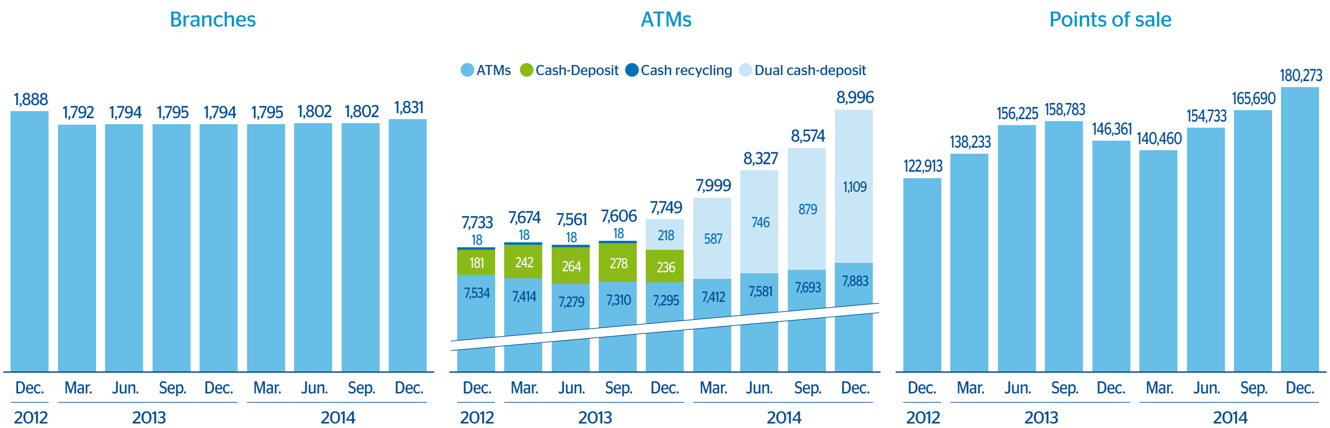
(Percentage)



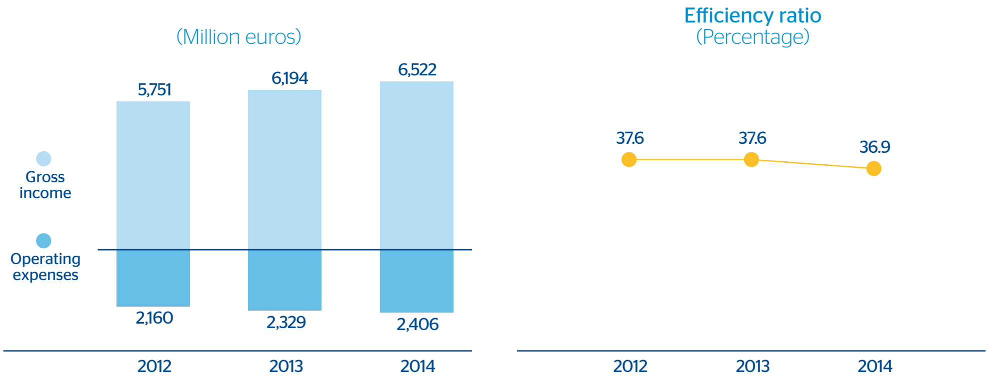
Operating expenses have increased by 7.6%, mainly due to the investment plan being implemented by the area. At the close of the year, 711 branch offices have been completely remodeled and the number of ATMs has increased by 1,247. Despite this, the percent increase of expenses is below that of gross income, so the efficiency ratio has improved to 36.9%, maintaining BBVA as one of the most efficient institutions in the Mexican banking system. **Operating income** closed the year at €4,115m, a rise of 10.8% on the 2013 figure.

Mexico. Distribution network evolution

(Branches, ATMs and and point-of-sale terminals)

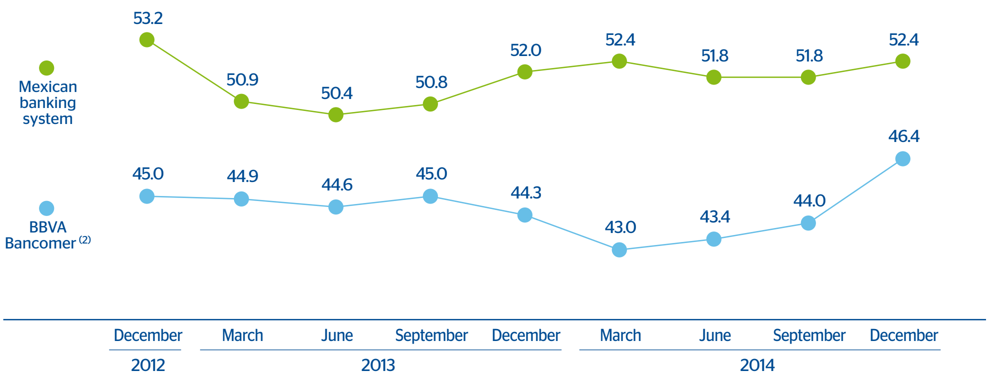


Mexico. Efficiency



Efficiency of BBVA Bancomer and the Mexican banking system [1]

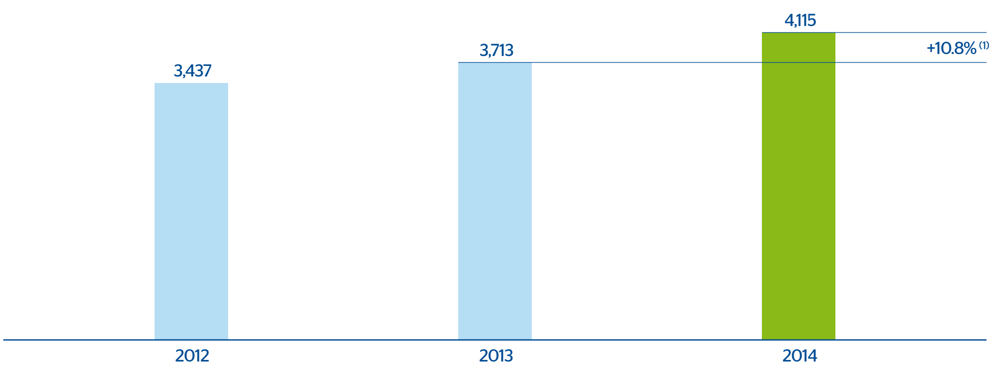
(Percentage)



(1) Mexican banking system formed by 5 banks: Banamex, Santander, Banorte-Ixe, HSBC and Scotiabank.
(2) Data collected under local accounting principles.
Source: CNBV. Data from banks without subsidiaries.

Mexico. Operating income

(Million euros at constant exchange rate)



(1) At current exchange rate: +6.5%.

Impairment losses on financial assets have risen 9.4%, slightly below the growth in activity in the area, and without special requirements in any portfolio.

Below are some of the most important aspects of the performance of the various business units in 2014.

Commercial Banking

Commercial Banking serves 80% of BBVA's customers in Mexico

Commercial Banking in Mexico is divided into two main units: the Commercial Network, which includes the entire retail distribution network; and Commercial Development and Payment Channels, which designs and develops banking products for the customer segments served by the Commercial Network.

This unit serves more than 80% of all the customers, including private and wealth management, individual and banking segments, as well as small and medium-sized enterprises (SMEs).

At the close of the year, Commercial Banking managed 48% of BBVA's total loan book in Mexico, with a balance of €21,082m, up 7.5% on the previous year. In customer funds, the amount is €43,455m, equivalent to a year-on-year increase of 9.1%.

In 2014, 711 branches have been remodeled and the number of ATMs has been increased by 1,247, the latter thanks to the fact that the self-service areas are more spacious. The number of transactions carried out at ATMs stands at 527,867 million, 8.7% more than in the previous year, as a result not only of an increase in their number, but also due to initiatives such as making pre-approved consumer loans available to customers via ATMs (with the aim of providing faster and more secure access to financial services through digital channels).

The strategy of granting pre-approved loans to customers in the individual segment has continued. This has not only allowed to grow in consumer loans while maintaining the portfolio quality, but it has also improved customer loyalty.

In new products and services, BBVA Bancomer has set up a new Ultra High Net Worth (UHN) business unit. The aim is to provide a tailored service through a specialized network to deal with the financial needs of customers in the highest wealth segment.

For SMEs, the number of specialized employees and SME business centers has been increased with the aim of strengthening coverage for this group at national level. This has been reflected in the continued growth of lending to this segment.

Government & Corporate Banking

Lending to large companies has performed strongly in 2014

Government & Corporate Banking serves the segments of medium-sized enterprises, government institutions, real-estate developers and car dealer network, as well as the financial lease business managed in Mexico. This business unit has 168 branches that provide a specialized service to companies (including real-estate developers) and the government. At the close of the year it managed a loan book of €14,365m (up 14.6% year-on-year) and €17,136m in customer funds (up 10.1%).

Corporate lending grew at double-digit rates in 2014, while financing to the public sector (including the Federal Government, State Secretariats, government bodies and cities) recovered at the end of the year.

In the developer segment, there has been some recovery in the housing construction sector. Although the portfolio of BBVA in Mexico has continued to decrease in 2014 (-12.5% year-on-year), in the last quarter it has increased slightly.

The auto financing business is managed by the Consumer Finance unit. At the close of the year, this portfolio fell by 1.6% year-on-year, mainly as a result of the end of the agreement with a major supplier in the automobile sector. Worked has continued in 2014 on the strategy of signing new commercial alliances with other suppliers and strengthening the financial lease activity through a wide range of products.

Corporate & Investment Banking (CIB) and Global Markets

CIB is specialized in the management of corporate and global customers who are offered value-added investment banking and cash management products, as well as sophisticated investment vehicles. Global Markets originates, structures, distributes and manages the risk of market products with a customer-based model that meets their investment and risk coverage needs.

Completion of several deals in 2014 and active participation in debt and capital markets

As of 31-Dec-2014, this unit managed a loan book of €8,910m and registered a balance of customer funds of €6,251m. Both figures have grown year-on-year at double-digit rates. The unit also participated actively in the debt and capital markets throughout the year.

In 2014, this unit completed several significant transactions. One example is the participation in the third follow-on offering of Fibra Uno (a vehicle for investment in real estate), with the public offering of senior trust bonds. This has been the most important placement in Fibra Uno's sector, at MXN 32,816m. There has also been a successful issue of shares in the restaurant chain Alsea for MXN 6,900m, an operation that was 4.7 times oversubscribed. BBVA Bancomer continues to top the ranking in local-currency debt placement, with a 22% share. Lastly, the Merger & Acquisitions (M&A) franchise continues to grow. Over the last two years it has become the provider with the largest number of agreements signed, totaling 7 transactions and holding a market share of 16% by number of deals.

Lastly, BBVA's outstanding participation in Mexico in corporate placements in the debt and capital markets has earned this unit recognition as Best Investment Bank in Mexico by two specialized magazines: *Euromoney* and *LatinFinance*.

Insurance business

The insurance business is conducted through the subsidiary Seguros BBVA Bancomer. It is the largest insurance company in the Mexican bancassurance market in terms of earnings, and the second largest in the insurance market.

Growth in premiums written, which is not yet reflected in earnings due to the high accident rate

In 2014, Seguros BBVA Bancomer has registered stronger growth in written premiums, which have reached €1,148m, equivalent to year-on-year growth of 19.8%. However, this positive performance has not been reflected in earnings as a result of the high accident rate and the lower NTI in the year.

Main highlights

Highly successful completion of different types of debt issues

In the first quarter of 2014, BBVA Bancomer successfully issued 10-year senior bonds for USD 750m, with an interest rate of 4.375%, a very similar figure to that of the Mexican sovereign bond. Moody's gave it an A2 rating with a stable outlook. The issue was placed on international markets and was oversubscribed four times, demonstrating the confidence of investors in both the bank and the country.

Another issue of 15-year subordinated debt of USD 200m, under Basel III requirements, with a yield of 5.35% was completed in October. The issue was extremely successful and was oversubscribed four times.

On February 12, 2014, Moody's upgraded BBVA Bancomer's international rating from Baa1 to A3 with a stable outlook and changed its financial strength outlook to positive. This was partly due to the upgrading of Mexico's rating to A3.

Prizes and awards:

- BBVA Bancomer's financial literacy program "Adelante con tu Futuro" (Forward with your Future) has received recognition for Excellence in Financial Literacy Education from the Institute for Financial Literacy, a non-governmental organization based in the United States. The institution granted the award to BBVA Bancomer in the Adult Financial Literacy Program of the Year category. This is the first time the award has been given to a Latin American institution.
- Lastly, in products with a high social impact, BBVA Bancomer has been recognized by the Inter-American Development Bank (IDB) with the Beyond Banking 2013 award in the "Socially Responsible/Impact Investment" category for its community involvement carried out through the "B+Educa" fund. The shareholders in this Mexican fund contribute 25% of returns obtained directly to the integration scholarship program "Por los que se Quedan" (For those left behind). Thus, the BBVA Bancomer Foundation received 81 million Mexican pesos (€4.8m) in 2013 from 28,202 shareholders in this fund for scholarships granted to young children of emigrants who are studying the three years of junior high school.

As regards **responsible banking**:

BBVA in Mexico has positioned itself as an institution that is highly active in the areas of education and community involvement

- The BBVA Bancomer Foundation has launched the "Por Una Generación Adelante" (For a Forward Generation) campaign for employees and customers. The aim is to increase by 375 the number of scholarships for young people with an outstanding academic performance and extend the coverage of the program from 20 to 22 states in the country in 2015.
- In addition, the "Por Los Que Se Quedan" (For Those Left Behind) and "Becas Adelante" (Adelante Scholarships) programs have benefited 10,000 new scholarship recipients at high-school level in the 2014/15 academic year. In terms of the social impact of these programs, 60% of those receiving scholarships are female and 40% male. Of the total recipients, 71% have a family member who has migrated and the scholarship accounts for an average of 25% of the household's income. The support received helps reduce child labor and the school dropout rate, while helping 97% of the students to continue with their high-school studies.
- The BBVA Bancomer Foundation has activated its support program for the population affected by disasters. It has provided the families affected by hurricane Odile with basic supplies and opened an account for donations. The bank has pledged to match the amount deposited by customers in the account.

- The BBVA Bancomer Foundation and the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) have boosted new entrepreneurship projects through educational and production centers, which have already benefited more than 53,000 people since they were started in 2009.

- Notable in the area of community education is the agreement signed by the BBVA Bancomer Foundation and the Secretariat for Public Education (SEP) designed to double the beneficiaries of the "Becas Adelante" scholarships. Specifically, they envisage a joint investment of MXN 48m, which will be used to increase the number of students supported by the program from 2,000 to 4,000. As a result of these and other initiatives, BBVA in Mexico has positioned itself as an institution that is highly active in the areas of education and community involvement.

- In addition, at the close of the year, the first generation of 180 students graduated from the BBVA Bancomer University, which currently has over 1,100 students enrolled.

South America

Highlights in 2014

- Solid growth rates in business activity.
- Adequate management of spreads and excellent risk management.
- Andean region: strategic focus. Managing uncertainties in Venezuela.

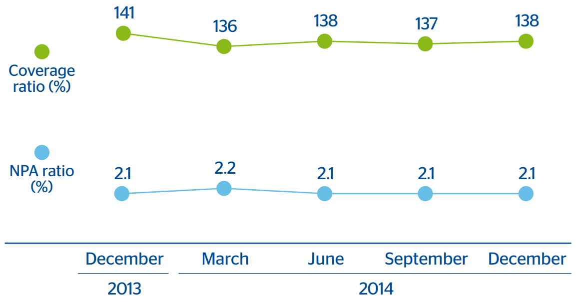
Activity [1]

Year-on-year changes at constant exchange rates
Balances as of 31-12-2014

+21.6% Loans

+24.2% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rates

Net interest income	4,699	+38.7%
Gross income	5,191	+22.5%
Operating income	2,875	+18.6%
Net attributable profit	1,001	+6.3%

(1) Loans under management and customer deposits under management (excluding repos and including specific marketable debt securities).

Income statement

(Million euros)

	South America				
	2014	Δ%	Δ% (1)	2013	2012
Net interest income	**4,699**	**0.8**	**38.7**	**4,660**	**4,236**
Net fees and commissions	901	(7.1)	24.9	970	911
Net trading income	482	(36.8)	(10.8)	763	442
Other income/expenses	(890)	9.9	115.1	(810)	(281)
Gross income	**5,191**	**(7.0)**	**22.5**	**5,583**	**5,308**
Operating expenses	(2,316)	(2.5)	27.8	(2,375)	(2,285)
Personnel expenses	(1,099)	(6.4)	20.9	(1,174)	(1,138)
General and administrative expenses	(1,038)	0.8	33.2	(1,030)	(975)
Depreciation and amortization	(179)	4.7	43.8	(171)	(172)
Operating income	**2,875**	**(10.4)**	**18.6**	**3,208**	**3,023**
Impairment on financial assets (net)	(706)	1.2	27.4	(698)	(589)
Provisions (net) and other gains (losses)	(219)	40.2	178.3	(156)	(201)
Income before tax	**1,951**	**(17.1)**	**8.9**	**2,354**	**2,234**
Income tax	(490)	(6.3)	19.1	(523)	(484)
Net income	**1,461**	**(20.2)**	**5.9**	**1,831**	**1,750**
Non-controlling interests	(460)	(24.3)	5.1	(607)	(578)
Net attributable profit	**1,001**	**(18.2)**	**6.3**	**1,224**	**1,172**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	South America				
	31-12-14	Δ%	Δ% (1)	31-12-13	31-12-12
Cash and balances with central banks	13,523	0.1	28.7	13,507	12,882
Financial assets	10,671	9.3	26.4	9,765	10,106
Loans and receivables	57,212	10.3	24.8	51,881	50,137
Loans and advances to customers	51,302	9.2	22.3	46,962	46,057
Loans and advances to credit institutions and others	5,910	20.1	52.6	4,919	4,081
Tangible assets	1,062	12.6	34.2	943	875
Other assets	1,896	6.7	18.8	1,777	1,877
Total assets/Liabilities and equity	**84,364**	**8.3**	**25.6**	**77,874**	**75,877**
Deposits from central banks and credit institutions	5,770	25.7	27.0	4,589	5,756
Deposits from customers	56,370	2.2	22.1	55,167	52,759
Debt certificates	4,677	31.5	30.0	3,556	3,242
Subordinated liabilities	1,658	32.4	33.6	1,252	1,196
Financial liabilities held for trading	2,648	147.6	151.3	1,069	955
Other liabilities	9,834	8.8	26.4	9,036	8,863
Economic capital allocated	3,408	6.3	21.9	3,205	3,106

(1) At constant exchange rates.

Relevant business indicators

(Million euros and percentage)

	South America		
	31-12-14	31-12-13	31-12-12
Performing loans [1]	52.009	42.779	35.062
Customer deposits under management [1-2]	61.992	49.931	38.866
Mutual funds	3.848	2.952	3.355
Pension funds	4.632	3.600	3.083
Efficiency ratio (%)	44,6	42,5	43,0
NPA ratio (%)	2,1	2,1	2,1
NPA coverage ratio (%)	138	141	146
Cost of risk (%)	1,46	1,50	1,35

(1) Figures at constant exchange rates.
(2) Excluding repos and including specific marketable debt securites.

BBVA's footprint in South America

(31-12-2014)

	Bank	Insurance company	AFPs
Argentina	•		•
Bolivia		•	
Chile	•		•
Colombia	•		•
Paraguay	•		
Peru	•		
Uruguay	•		
Venezuela	•		•

Definition of the area

South America manages the Group's banking and insurance businesses in the region. The area is notably diversified and has units operating in practically every South American country.

In 2014, the historical series in this area was restated to exclude the business in Panama, which was sold in the fourth quarter of 2013, including its historical figures in the Corporate Center.

Macro and industry trends

Economic activity in the region moderates

Economic activity in the region has shown signs of moderation, particularly due to the slowdown in investment and more sluggish domestic demand, although there are notable differences between the economies in BBVA's footprint. South America is suffering from the effects of greater uncertainty regarding the future of the global economy, which is leading to a fall in commodity prices and tighter financial conditions due to the appreciation of the dollar and moderation in capital flows into the region. In this more restrictive environment, the central banks in the region have applied a looser bias to their monetary policy, except in the case of Brazil. In the coming months, this will lead to additional cuts in interest rates in Peru, Chile and Colombia.

The **financial system** in most countries in South America remains sound. It has high levels of capitalization and profitability, while the NPA ratio is in check. In addition, progress was made in 2014 toward implementing legal frameworks that are increasingly more compliant with international standards, above all in the case of Colombia, Chile and Peru. It is also worth noting the trend in the adoption of macroprudential policies designed to mitigate risks in the financial sector. The proposal made by the Central Bank of Chile in May regarding the management of bank liquidity is an example of such measures. With respect to activity, the moderation in the rates of lending growth continues in most countries, in line with economic growth in the different economies.

Lastly, the year-end **exchange rates** of the currencies of most of the countries where BBVA operates have depreciated against the euro in the last 12 months (except for the Peruvian new sol). In average exchange rates, there has been a general year-on-year depreciation. The effect of the currency on the year-on-year changes in the area's financial statements is therefore negative. All the comments below on rates of change are expressed at a constant exchange rate, unless stated otherwise.

In this context, the financial system remains sound and is making progress toward implementing legal frameworks that are increasingly compliant with international standards

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates			
	31-12-14	Δ% on 31-12-13	31-12-13	Δ% on 31-12-12	2014	Δ% on 2013	2013	Δ% on 2012
Argentinean peso	10.3830	(13.4)	8.9890	(37.6)	10.7680	(32.4)	7.2767	(45.7)
Chilean peso	736.92	(2.0)	722.54	(14.1)	756.43	(13.0)	658.33	(17.4)
Colombian peso	2,906.98	(8.5)	2,659.57	(19.8)	2.652.52	(6.5)	2,481.39	(12.9)
Peruvian new sol	3.6144	6.6	3.8535	(6.8)	3.7672	(4.7)	3.5903	(10.0)
Venezuelan bolivar fuerte	14.5692	(40.4)	8.6775	(61.1)	14.7785	(45.6)	8.0453	(62.7)

Management priorities

The **2013-2016 Strategic Plan** was launched in 2013 with the aim of improving the positioning of Group's entities in the region and boosting their digital transformation. A number of expansion programs have been executed under the plan, developing technological projects, extending the number of channels and improving the value offering. It has achieved notable progress in the goals set, such as: positioning BBVA as the customers' preferred Bank by and the biggest digital financial Group in the region. All the projects aim to increase service quality and accessibility, in line with the Group's customer-centric strategy. Thus the efforts in 2014 have been focused mainly on the following lines of action:

- Execution of expansion plans, basically in Colombia and Peru.

- Implementation of new strategic models focused on businesses that are the object of cross-cutting plans within the Group. These include new alliances with car dealers involving auto loans, as well as leasing and structured loans campaigns, and the development of global management for customers present in different geographical areas.

- Within the framework of technological projects, of particular note is the development of initiatives related to multi-channel banking and digitization: redesign of websites to improve accessibility and incorporate new functionalities, development of educational campaigns on the benefits of using digital platforms, relaunch of mobile banking and design of a new service offering. An example of the latter is BBVA Link, a pioneering product in Chile that allows users to send, request and receive money directly from Facebook quickly and easily, with total security and no maintenance fees. Also worth mentioning is the extension of the "e-Oferta" tool created in Spain to Peru, Chile, Colombia and Argentina. This is a digital solution that brings the range of BBVA products and services to small companies and institutions.

A number of initiatives are being carried out under the 2013-2016 Strategic Plan to position BBVA as the customers' preferred Bank in the region and turn it into the biggest digital financial group in the area

- In addition, the global value offering has been improved with products that manage customer transactions globally or adapt to their preferences.

For **2015**, South America will continue to prioritize its development toward a digital ecosystem, aiming not only at the sale of products but also at transaction banking and digital self-service. At the same time, the region will work on the execution of different plans and projects organized around an increasingly precise definition of the customer segments that are being managed.

First, a new boost will be given to action plans aimed at **customers**:

- Projects geared to integrated customer management that promote loyalty, as well as those that aim to obtain synergies between the Bank's different businesses, in order to offer a differential value and increase market share in the region.

- Projects launched to improve satisfaction of the customer base, such as "Forma-t", a self-training model with incentives aimed at the commercial network.

In addition, a number of new initiatives are planned for development to improve **revenues**:

- Specific management tools and models geared to optimizing fees and prices.

- The "Nómina" payroll project which has an integrated approach that optimizes customer profitability over the whole lifecycle: attraction, loyalty, optimization of income and retention.

- Plans focused on making the most of growth opportunities in SMEs, with the aim of positioning the Bank as a benchmark for this segment in the region.

- Lastly, a plan supporting commercial management in the network will be developed with various initiatives designed to increase productivity and effectiveness, optimizing resources and reviewing tools, processes, capabilities and governance.

Activity analysis

Strong activity in practically all the countries, accompanied by good risk management

In 2014 activity in South America grew faster than the market as a whole; together with good risk management, this has been reflected in the positive trend in the area's earnings. This strength has been registered in practically all the countries where BBVA operates, both with respect to the loan book and customer funds.

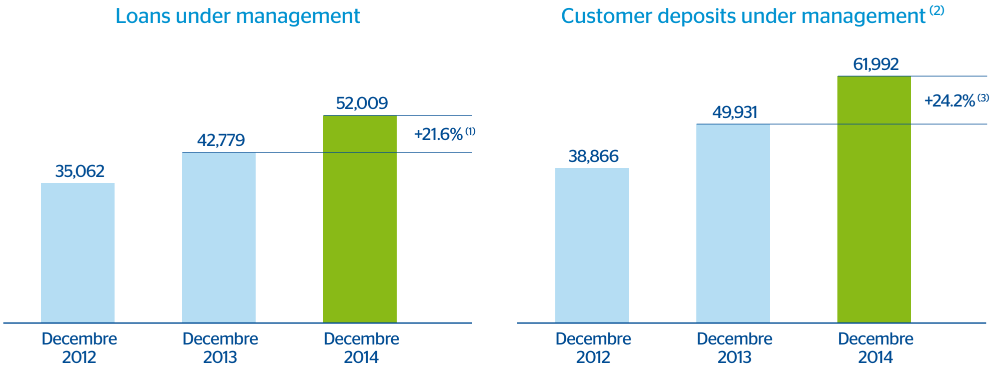
BBVA Group. Ranking by market share in the main South American countries in 2014 (1)

	Loans		Deposits	
Country	Ranking	Market share (%)	Ranking	Market share (%)
Argentina	3rd	7.1	3rd	7.0
Chile	4th	7.5	5th	6.2
Colombia	4th	10.2	4th	11.4
Paraguay	4th	12.6	4th	11.6
Peru	2nd	23.2	2nd	21.7
Uruguay	2nd	20.7	3rd	17.4
Venezuela	3rd	13.6	3rd	11.9

Source: own elaboration from figures of superintendencies, central banks and banking associations in each country. Figures as of November 2014.

South America. Key activity data

(Million euros at constant exchange rates)



(1) At current exchange rates: +8.7%.

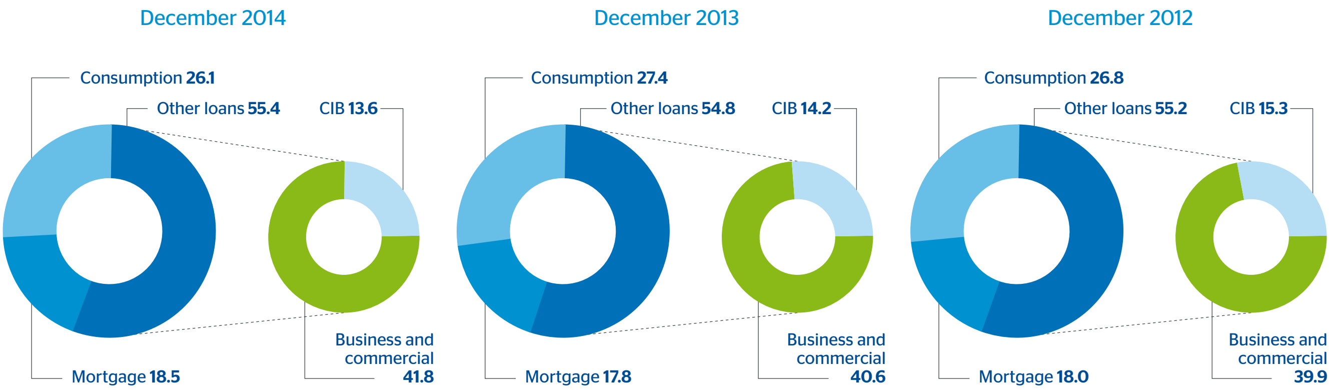
(2) Excluding repos and including specific markeatable debt securities.

(3) At current exchange rates: +5.3%.

South America closed 2014 with **loans** under management at €52,009m, a year-on-year increase of 21.6%. Of particular note is the rise in small business finance within the retail world (up 25.8% year-on-year) and lending to corporates (up 19.7%).

South America. Loans under management breakdown

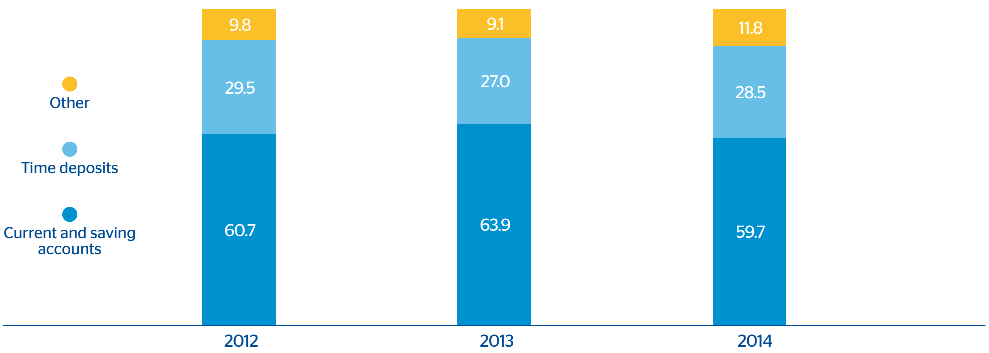
(Percentage)



Non-performing assets have evolved closely in line with the level of lending as a whole. As a result, the NPA ratio remained stable over the year (2.1% as of 31-Dec-2014). The coverage ratio stood at 138% at the close of 2014 (compared with 141% a year earlier).

The growth of customer **deposits** under management in the last quarter of 2014 has been particularly significant, leading to a year-on-year increase of 24.2% to €61,992m. It is worth mentioning the positive performance of transactional accounts (current and savings accounts up 24.4%).

South America. Breakdown of customer deposits under management
(Percentage)



Mutual funds have also performed very well. Their balance closed 2014 at €3,848m, up 32.4% on the figure for 31-Dec-2013.

Earnings analysis

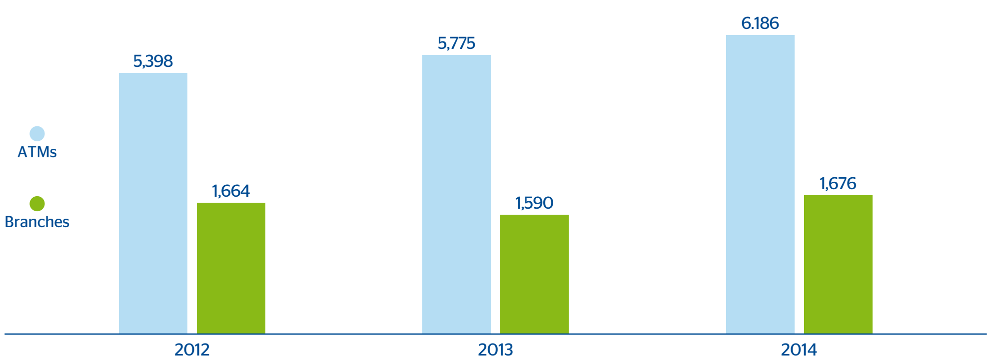
Positive performance of earnings thanks to the strength of activity, good price and risk management, and the progress made in segmentation, multi-channel banking and digitization

In what was a difficult year from the economic point of view, the area has performed very positively thanks to the significant rise in revenue and good management of costs and credit risks. BBVA's customer-centric strategy, the progress made in segmentation, multi-channel banking and digitization, as well as the notable diversification in the region, have made these positive earnings figures possible in 2014.

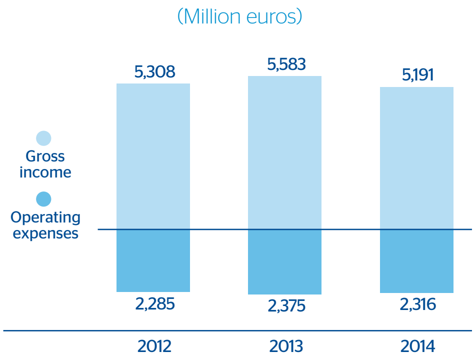
The area has posted significantly higher revenue figures, with a rise of 22.5% year-on-year, and **gross income** of €5,191m. This increase has been possible thanks to the high generation of recurring revenue resulting from strong activity and improved customer spreads.

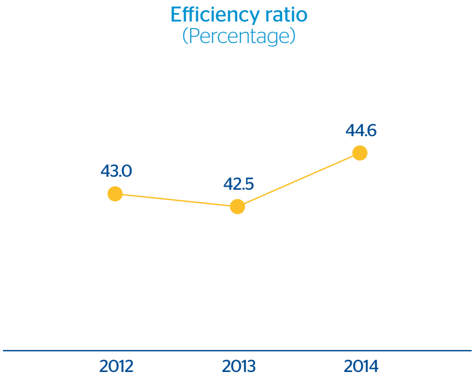
Operating expenses have risen by 27.8%, strongly linked to the investment plans underway, and that are leading to an improvement and continuous boost to business in the region. Overall, the area's **operating income** amounts to €2,875m, a year-on-year rise of 18.6%.

South America. Evolution of branch network and ATMs



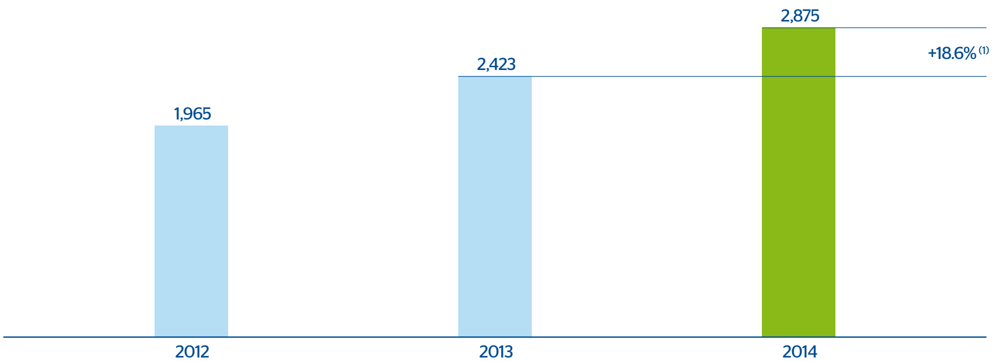
South America. Efficiency





South America. Operating income

(Million euros at constant exchange rates)



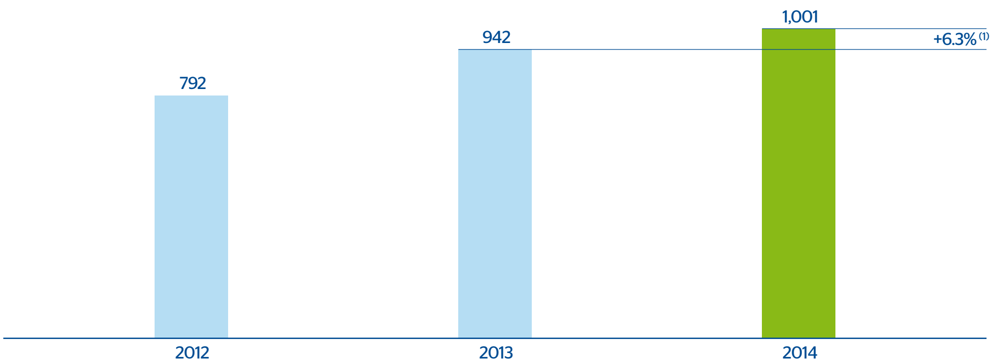
(1) At current exchange rates: –10.4%.

Lastly, impairment losses on financial assets have slowed their year-on-year growth to +27.4%. The cumulative cost of risk is now 1.46% (1.50% one year earlier).

As a result of the above, South America closed 2014 with a **net attributable profit** of €1,001m, up 6.3% on the figure registered the previous year.

South America. Net attributable profit

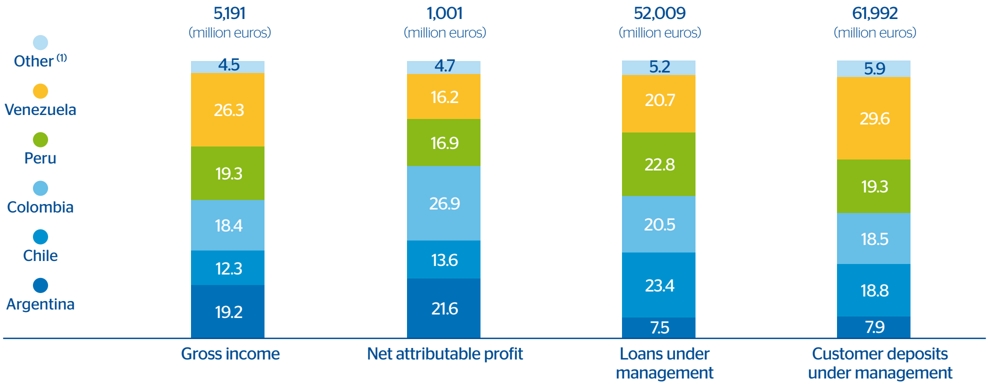
(Million euros at constant exchange rates)



(1) At current exchange rates: –18.2%.

South America. Breakdown of main business indicators by country

(Percentage as of 31-12-2014)



(1) Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

Argentina

The deterioration of the economy and restrictive regulatory scenario for the financial system made 2014 a year of challenges for BBVA in Argentina

Economic activity in Argentina has slowed. According to the latest data available from INDEC (National Institute for Statistics and the Census) for the third quarter of 2014, GDP has dropped by eight tenths with respect to the same period in 2013. There was a notable year-on-year fall of 1.4% in private consumption, due to the decline in real wages and an incipient deterioration in the labor market. With figures of November, the Monthly Estimate of Economic Activity (EMAE) shows a relative stagnation in activity, for the third quarter of 2014.

In January 2015, the INDEC presented the new **price index** IPC NU, to replace the previous IPC GBA. It is national in coverage and registered a year-on-year growth of 23.9% as of December 2014.

The Argentinean **financial system** has in general posted good solvency and liquidity indicators. The Central Bank tightened regulations in 2014: for instance, the net global foreign-currency position of banking institutions has been limited; maximum rates have been established for consumer loans, and minimum remuneration for retail time deposits. Because monetary policy has not been expansive, as in previous years, the growth in the monetary base has slowed significantly to 20% in year-on-year terms. In addition, demand for loans in the private sector has also slowed, to a year-on-year increase of 18.7% (according to the latest information available through October 2014).

With respect to the **exchange rate**, after starting the year with a significant devaluation, the Argentinean peso closed the year at ARS 10.3830 to the euro. Also on the foreign-exchange front, the purchase of foreign currency was eased slightly for individuals and the Central Bank activated two currency swap tranches with the Popular Bank of China for USD 1.3 billion, on a program of USD 11 billion in all, with the aim of increasing the stock of international reserves, which fell by USD 4,152m in 2014.

The modest evolution of Argentina's economy and restrictive regulatory environment for the financial system made 2014 a year of challenges for **BBVA in Argentina**. Once more it demonstrated a great capacity for adapting to complex market situations. In this environment, BBVA Francés has shown flexibility, and has been capable of launching new products and services, as well as managing funds with great efficiency. It has maintained adequate levels of liquidity and solvency, and although asset quality has been affected by the economic deterioration, the indicators have continued to show better levels than in the system as a whole.

Despite the slower rate of activity growth due to the economic slowdown, BBVA's banking group in Argentina has managed to increase **loans** under management year-on-year by 18.8%, thanks to the positive trend in the auto business and in particular the growth in credit cards; the latter portfolio gained 89 basis points of market share over the last twelve months (figures as of November, the latest available). Total customer **funds** rose by 25.5% in the same period, strongly supported by the positive trend in current and savings accounts (a rise of 57 basis points in market share in current accounts) and mutual funds. The increase in lower-cost deposits is due to the development of the Transactional Plan, which aims to increase the loyalty of the customer base and BBVA Francés' position as the bank preferred by its customers.

With respect to **earnings**, BBVA Francés posted a net attributable profit of €217m in 2014, a year-on-year rise of 52.7%, supported by the boost in revenue.

As a result of the initiatives carried out under the Transactional Plan mentioned above, and the continuous improvement program for customer experience, BBVA Francés now ranks first in the Net Recommendation and Satisfaction Index (**IReNe**), and has a leading position in the market in terms of service quality.

As regards its innovation and **digitization** strategy, the bank has redesigned the website and Francés net, with a focus on user friendliness, making it more intuitive and easy to use for all customers; it has also launched a number of successful campaigns through Francés GO, a service that communicates offers and promotions via cell phones. Lastly, in 2014 BBVA Francés opened a cutting-edge branch in which technology is the core element.

Chile

Chile's **macroeconomic indicators** have shown signs of a slowdown. Year-on-year GDP growth was 0.8% in the third quarter. It was strongly affected by a sharp fall in investment and a very moderate rise in private consumption. However, the labor market has maintained most of the strength it registered in previous years. The average rate of unemployment stood at 6.4%, although job creation was strongly supported by self-employment, which is one of the most fragile and precarious of job categories.

Good performance in BBVA Chile, despite the environment of moderation in economic activity

Inflation provided an upward surprise to 4.4% for 2014, higher than the Central Bank's tolerance range. This is mainly due to the increase in prices of some products affected by the Tax Reform passed in September. Against this backdrop, the Central Bank reduced the monetary policy rate by 150 basis points during the year, and it closed at 3%.

With respect to the **financial system**, banks' earnings have been good, taking into account the situation of a slight economic slowdown. Lending grew last year by 9.5% (according to the latest available data as of October 2014), thanks to the strength of mortgage loans and corporate lending.

In **BBVA Chile, loans** under management grew at a similar rate to the system as a whole (up 9.4% year-on-year), thanks above all to the performance of the mortgage portfolio (up 15.1%), and also to credit cards (up 14.9%) and commercial lending (up 11.3% in corporates and 10.7% in small businesses). Customer **funds** have grown by 17.6%, with a notable difference between growth in lower-cost funds and time deposits.

The **net attributable profit** stands at €136m, 30.7% higher than in 2013, mainly due to increased net interest income and lower loan-loss provisions. All this despite the €52m charge derived from the penalty for joint civil liability issued in the Inverlink case.

As mentioned above, a pioneering product was developed in **digital banking**: BBVA Link. Lastly, BBVA Chile has been capable of achieving an important goal for 2014: reaching 65,000 customers on mobile channels.

South America. Financial statements of the main countries

Income statement
(Million euros)

	Argentina				Chile			
	2014	Δ%	Δ% (1)	2013	2014	Δ%	Δ% (1)	2013
Net interest income	**607**	**9.0**	**61.3**	**557**	**512**	**6.2**	**22.1**	**482**
Net fees and commissions	184	(16.6)	23.5	220	76	(17.0)	(4.7)	92
Net trading income	124	(18.8)	20.2	153	45	(25.1)	(14.0)	60
Other income/expenses	82	(1.1)	46.4	83	6	(79.2)	(76.1)	29
Gross income	**997**	**(1.6)**	**45.7**	**1,013**	**639**	**(3.5)**	**10.9**	**663**
Operating expenses	(474)	(6.6)	38.2	(507)	(302)	(7.6)	6.2	(327)
Personnel expenses	(248)	(10.4)	32.7	(277)	(163)	(7.9)	5.8	(176)
General and administrative expenses	(209)	(1.2)	46.2	(212)	(130)	(6.8)	7.1	(139)
Depreciation and amortization	(16)	(12.2)	29.9	(19)	(10)	(11.1)	2.1	(12)
Operating income	**523**	**3.5**	**53.1**	**506**	**337**	**0.4**	**15.4**	**336**
Impairment on financial assets (net)	(53)	(21.6)	16.0	(67)	(105)	(33.4)	(23.5)	(158)
Provisions (net) and other gains (losses)	(52)	219.1	n.m.	(16)	(56)	n.m.	n.m.	10
Income before tax	**418**	**(0.9)**	**46.7**	**422**	**176**	**(6.4)**	**7.5**	**188**
Income tax	(136)	(7.9)	36.3	(148)	14	n.m.	n.m.	(31)
Net income	**282**	**2.9**	**52.3**	**274**	**190**	**21.0**	**39.0**	**157**
Non-controlling interests	(65)	2.2	51.3	(64)	(55)	43.6	65.0	(38)
Net attributable profit	**217**	**3.2**	**52.7**	**210**	**136**	**13.8**	**30.7**	**119**

(1) At constant exchange rates.

Balance sheet
(Million euros)

	Argentina				Chile			
	31-12-14	Δ%	Δ% (1)	31-12-13	31-12-14	Δ%	Δ% (1)	31-12-13
Cash and balances with central banks	1,266	(11.7)	2.0	1,434	589	40.5	43.3	419
Financial assets	1,023	182.6	226.4	362	2,631	64.6	67.8	1,599
Loans and receivables	4,345	0.4	16.0	4,328	13,613	8.8	11.0	12,512
Loans and advances to customers	3,906	3.2	19.2	3,786	12,126	7.8	9.9	11,253
Loans and advances to credit institutions and others	439	(18.9)	(6.3)	542	1,488	18.2	20.6	1,258
Tangible assets	201	32.7	53.2	152	89	3.2	5.3	86
Other assets	184	12.0	29.3	165	561	14.5	16.8	490
Total assets/Liabilities and equity	**7,019**	**9.0**	**25.9**	**6,440**	**17,484**	**15.7**	**18.0**	**15,106**
Deposits from central banks and credit institutions	58	69.0	95.2	35	1,946	1.1	3.2	1,924
Deposits from customers	4,945	1.7	17.5	4,860	8,240	3.3	5.3	7,977
Debt certificates	163	129.0	164.5	71	2,608	51.9	54.9	1,717
Subordinated liabilities	-	-	-	-	580	0.6	2.6	577
Financial liabilities held for trading	-	-	-	9	1,761	104.4	108.5	862
Other liabilities	1,530	39.8	61.5	1,094	1,891	23.2	25.7	1,535
Economic capital allocated	322	(12.9)	0.6	370	457	(11.3)	(9.6)	515

(1) At constant exchange rates.

Colombia				Peru				Venezuela			
2014	Δ%	Δ% (1)	2013	2014	Δ%	Δ% (1)	2013	2014	Δ%	Δ% (1)	2013
782	**7.3**	**14.7**	**729**	**701**	**3.4**	**8.5**	**678**	**1,925**	**(6.6)**	**71.6**	**2,060**
90	(10.3)	(4.1)	100	189	3.9	9.0	182	303	(6.1)	72.5	323
64	13.1	20.9	57	127	(9.6)	(5.2)	140	111	(67.1)	(39.6)	336
19	(26.7)	(21.7)	26	(14)	7.6	12.9	(13)	(975)	3.9	90.8	(938)
955	**4.8**	**12.0**	**911**	**1,002**	**1.6**	**6.6**	**986**	**1,364**	**(23.4)**	**40.7**	**1,781**
(395)	2.4	9.4	(386)	(350)	4.4	9.5	(335)	(633)	(4.8)	74.8	(665)
(181)	2.9	10.0	(176)	(180)	2.2	7.2	(176)	(232)	(16.0)	54.3	(276)
(191)	6.8	14.2	(178)	(145)	6.7	11.9	(136)	(308)	(1.3)	81.3	(312)
(23)	(25.5)	(20.4)	(31)	(25)	7.8	13.1	(23)	(93)	20.7	121.7	(77)
560	**6.5**	**13.9**	**525**	**652**	**0.1**	**5.1**	**651**	**731**	**(34.5)**	**20.4**	**1,116**
(157)	24.9	33.6	(126)	(143)	(1.1)	3.8	(145)	(229)	22.5	125.0	(187)
(1)	n.m.	n.m.	17	(3)	(70.4)	(68.9)	(9)	(105)	(36.1)	17.3	(164)
402	**(3.4)**	**3.3**	**416**	**506**	**1.7**	**6.7**	**497**	**397**	**(48.1)**	**(4.6)**	**764**
(122)	13.4	21.2	(107)	(140)	4.9	10.1	(133)	(103)	2.1	87.6	(101)
280	**(9.2)**	**(3.0)**	**309**	**366**	**0.5**	**5.5**	**364**	**294**	**(55.7)**	**(18.6)**	**663**
(11)	(11.3)	(5.2)	(13)	(197)	(0.5)	4.5	(198)	(131)	(55.4)	(18.1)	(295)
269	**(9.2)**	**(2.9)**	**296**	**169**	**1.7**	**6.7**	**167**	**162**	**(55.9)**	**(19.0)**	**369**

Colombia				Peru				Venezuela			
31-12-14	Δ%	Δ% (1)	31-12-13	31-12-14	Δ%	Δ% (1)	31-12-13	31-12-14	Δ%	Δ% (1)	31-12-13
974	11.2	21.5	876	3,858	36.4	27.9	2,829	5,762	(20.6)	33.3	7,257
2,827	14.3	24.9	2,474	1,193	(0.7)	(6.9)	1,201	1,756	(36.2)	7.1	2,753
10,681	10.5	20.8	9,666	11,866	16.3	9.1	10,203	13,683	6.9	79.5	12,798
10,477	10.1	20.3	9,520	11,530	16.9	9.7	9,861	10,561	1.4	70.3	10,412
205	40.1	53.2	146	336	(1.6)	(7.7)	342	3,122	30.9	119.7	2,386
121	0.0	9.3	121	238	12.3	5.3	212	374	11.9	87.9	335
223	(35.7)	(29.7)	347	422	(1.6)	(7.7)	429	412	14.6	92.4	360
14,827	**10.0**	**20.2**	**13,484**	**17,576**	**18.2**	**10.8**	**14,874**	**21,988**	**(6.4)**	**57.1**	**23,502**
754	72.9	88.9	436	2,410	39.5	30.8	1,728	373	51.6	154.5	246
10,779	2.6	12.1	10,506	10,522	12.8	5.8	9,331	18,341	(7.2)	55.7	19,774
215	(14.0)	(6.0)	250	1,605	11.2	4.3	1,443	-	-	-	-
339	23.1	34.6	275	662	81.4	70.1	365	-	-	-	-
681	n.m.	n.m.	50	195	41.3	32.5	138	-	-	-	5
1,171	4.2	13.9	1,123	1,713	24.0	16.3	1,381	2,226	(17.3)	38.9	2,690
889	5.4	15.3	843	469	(3.8)	(9.8)	487	1,048	33.4	124.1	786

Colombia

Differential performance from all points of view

In 2014 Colombia has stood out as one of the **economies** that grew most in the world, with a growth rate of 4.2%. This has been the result of the good performance of public infrastructure works and private consumption, particularly in durable goods. There have also been substantial improvement in the unemployment rate and significant progress in increasing the level of formality in the economy.

With respect to the **price index**, inflationary pressure was not excessive, and the price rises have been within the Central Bank's tolerance band. In addition, the Government has maintained a current-account surplus and has guaranteed long-term external funding through foreign direct investment.

To sum up, the general results of the economy show that the country is consolidating its recent progress and transforming it into a better standard of living, reducing poverty and increasing the level of bank penetration among households.

The Colombian **financial system** has been one of the leading sectors in the country's economic growth, with expanding slightly higher than GDP growth. Lending has increased at a year-on-year rate of 12.9%. The mortgage segment has led this progress (up 20.0%), followed by consumer finance (up 12.2%) and corporate lending (up 11.5%). Deposits in current accounts have risen above the rate of total customer funds, reflecting a transactional demand in line with an expanding economy.

In this context, the banking and insurance business of **BBVA Group in Colombia** has performed very strongly. **Lending** grew by 18.4% in 2014, and total customer **funds** by 14.4%, with year-on-year gains in market share of 48 and 27 basis points, respectively. The growing contribution of Colombia to the business area loan book is mainly the result of the mortgage portfolio (up 15 basis points year-on-year in market share, with a 22.4% increase in the same time period) and loans to the commercial segment (up 54 basis points, a rise of 19.6%). In customer funds, there was a significant year-on-year growth of 40.2% in time deposits.

BBVA Colombia has seen its rating confirmed by Fitch Ratings as an AAA issuer in local currency, with a stable outlook.

The **risk** profile continues to be outstanding. BBVA Colombia stands out in this respect as the best bank among its peers. In addition, it closed the year with very good solvency levels, which respond to the demands of the regulator and absorb the increased capital requirements in accordance with legislative changes.

In terms of **earnings**, BBVA Colombia closed 2014 with a notable performance of revenue (increase of 14.7% in net interest income and 20.9% in NTI, resulting in a rise in gross income of 12.0%). However, operating expenses have risen by 9.4% due to the needs of the business and the requirements of the expansion plan underway in the country. Loan-loss provisions have also increased significantly (+33.6%) due to the application of a new local regulation related to generic provisions, as well as the growth in lending. As a result of the above, combined with greater tax pressure, BBVA in Colombia had a net attributable profit of €269m, down 2.9% on 2013.

BBVA Colombia's strategy focuses on **customer satisfaction**. For individual customers, it worked on specialized management of the high-value segments and specific groups. In Corporate and Institutions Banking, management has focused on the construction and the livestock sector. In the small businesses group, the bank has outpaced the growth levels of its peers in leasing and the granting of structured loans. Lastly, in means of payment there has been a significant increase, above the one experienced by the market as a whole, in the acquiring business and in consumer finance. Investment banking also had an excellent year, as it closed major agreements and began the appropriate processes to expand the customer base.

BBVA Colombia continued in 2014 to develop two brand recognition **campaigns**: "Donde Estés" (Wherever You Are), strengthening the Bank's image awareness in mobile banking with soccer player

Radamel Falcao; and The Cooking Tour Experience BBVA - Celler Can Roca, in collaboration with the chefs Harry Sasson and Leonor Espinosa, among others.

Lastly, BBVA Colombia has consolidated its position in 2014 as the leading bank in terms of **sustainability**, standing out through its management of corporate governance and socially responsible investment. The entity has been recognized as the bank with the second largest media impact in Environmental and Social Governance in the country by the Media Observatory Siglodata, which carried out an analysis of more than 1,000 entities in the public and private sectors in Colombia.

Peru

Good performance by BBVA Continental, in a context of slowing economic growth

In the third quarter of 2014, the Peruvian **economy** registered a year-on-year growth of 1.8%. The slowdown in GDP growth compared with previous years has been mainly linked to a deterioration in the foreign environment (downward correction of the prices of the metals exported by Peru and less favorable funding conditions on the international markets) and to supply problems that affected production in the mining, fisheries and agricultural sectors. On the demand side, public and private investment has been weak. To mitigate the economic slowdown the government announced a package of measures starting in May 2014 to boost short and medium-term growth, focused on higher public spending, permanent cuts in personal and corporate income tax and incentives to improve the business climate.

Despite the slowdown, **inflation** closed the year at 3.4%, above the Central Bank's target range of between 1% and 3%. This is due to the supply shocks that have affected the prices of various foodstuffs, as well as some demand pressure on the value of some services.

The performance of the **financial system** has reflected the reduced strength of economic activity. Banking loans to the private sector have grown by around 11.0% in 2014, with a particularly significant rise in mortgages and commercial loans. It is of note that during the year the Central Bank reduced the domestic-currency reserve requirements on a number of occasions to boost de-dollarization of the loan portfolio held by the banks. In terms of sources of funding, bank deposits have risen by around 5.0%. Lastly, the banks' profitability indicators have remained at attractive levels, while asset quality indicators have deteriorated slightly (the NPA ratio ended the year at 2.5%).

Against this economic and banking context, **BBVA Continental** has continued to increase its **loans** under management to 9.4% year-on-year, with significant progress in the mortgage portfolio (up 13.5%) and corporate loans (up 14.4%). Total customer **funds** have also increased by 8.9%, with a gain in market share of 100 basis points since the end of November 2013. There have been significant increases in both current/savings accounts and time deposits (gains of 77 and 150 basis points, respectively, in market share).

With respect to **earnings**, BBVA in Peru posted a net attributable profit of €169m in the year, a year-on-year increase of 6.7%. This rise can be explained mainly by the positive trend in recurring revenue, as well as moderate loan-loss provisions.

BBVA Continental has the goal of becoming the benchmark bank in customer satisfaction, prioritizing excellence in service quality and increasing the scope of its presence and the simplicity of its products and services. To do so it has accelerated its transformation in order to become the leading **digital bank** in the region. In 2014 its strategy focused on improving the capillarity of its customer service networks, simplifying processes and providing more and better digital banking channels. Online banking has been boosted by the launch of new products and services such as mobile banking. The bank has also continued to strengthen its links with customers through the offer of an innovative range of products and services, also geared to strengthening BBVA Continental's presence in new segments. This strategy includes the launch of the Delivery Loan, which allows customers to request a product online or by telebanking, together with other benefits, such as the possibility of choosing the best day for customers to make regular payments.

In all its initiatives, BBVA Continental has aimed to improve the **customer** experience and achieve a continuous improvement in its standards of service. As a result, it has closed the year in a leading position in service quality.

Also of note is that in a context of de-dollarization of assets in the financial system, BBVA Continental has actively managed the **liquidity** requirements in soles, as well as dollar surpluses.

The Lima Stock Exchange (BVL) has for the second year in a row rewarded BBVA Continental for its good practices in **corporate governance**, in particular its standards of transparency and professionalism, which generate trust in the stock market. The bank has also been included among the ten companies belonging to BVL's 2014 Good Corporate Governance Index.

Lastly, in 2014 BBVA Continental has hosted the Americas tour of **El Celler de Can Roca**, of which more details will be given below. In addition, among the different conferences and events sponsored by the bank is its participation in the CEO Summit 2014, which brought together prominent market leaders.

Venezuela

BBVA Provincial has anticipated the process of transformation toward digital banking, maintaining its customer-centric focus and profitability as its core elements

The latest official available information suggests that the Venezuelan **economy** shows a contraction above the 2.0% in the third quarter of the year. This drop in activity is a result of domestic demand, which fell by 1.9%, particularly its investment component.

Inflation increased significantly to 61.7% in 2014, with the food segment posting the biggest rise.

In **foreign exchange**, the financial statements of the year have been influenced by the use of the exchange rate resulting from the currency purchase-sale system called SICAD I (VEF 12/USD), which complements the official market. According to the Exchange Agreement No. 25, this system is applicable to international investments.

The relevant growth in the monetary aggregates in 2014 has meant that customer funds and lending in the **banking industry** have increased significantly. Through September, lending has increased by 74.0% in year-on-year terms, thanks above all to the strength of consumer finance and corporate loans. Customer funds have increased by 66.4% in the same period, strongly supported by the favorable performance of current and savings accounts.

BBVA Provincial has performed outstandingly well in 2014, and has been able to respond to the transformation of the financial system, conditioned by the new demands from customers and constant search for increased efficiency and simplicity. The bank has taken a lead and immersed itself in the process of transformation toward digital banking, maintaining its customer-centric focus and profitability as its core elements.

Thus, BBVA in Venezuela ended 2014 with another strong year-on-year growth in both **lending** (up 70.2%) and customer **funds** (up 56.7%). On the **earnings** front, BBVA Provincial closed 2014 with a net attributable profit of €162m, 19.0% below the figure in 2013, as factors such as net interest income, above all, have not offset the increase in operating expenses. There was also a greater negative adjustment for hyperinflation in 2014 than in 2013.

BBVA Provincial has made significant commercial efforts in 2014 as part of its **customer** attraction, loyalty and retention plans. It has made products available to customers that are adapted to their financial needs, such as previously approved loans for the "Crédito Nómina Instantáneo" (Instant Payslip Loan), "Línea de Crédito Instantánea" (Instant Credit Line) and Finance for Goods and Services.

With the renewal of the sponsorship agreement between BBVA Provincial and the Venezuelan Soccer Federation, the entity has consolidated its position as the **sport bank**. In addition, over the year BBVA

Provincial has continued to offer innovative products and an outstanding service in order to create and maintain stable and lasting relations with its customers, and thus become a leader in customer satisfaction.

The bank has also boosted its **transformation** toward digital banking, with specific actions linked to constant improvement in customer experience. A high-impact and high-profile advertising campaign has been launched based on these premises to promote the use of the Provinet and Provinet Móvil web tools, with the participation of the two brand ambassadors, Iker Casillas and Andrés Iniesta. Provinet Móvil is the only payment service on the Venezuelan market that offers customers more than 50 functionalities, with two security factors. Its recognition is reflected in the fact that over 649,000 customers use it regularly on their smart devices, generating more than 21 million transactions per month. Incentives have also been introduced for the use of digital channels through specific direct marketing actions that help customers who are not at ease in the digital world, with articles and video tutorials published on social networks (Twitter, Facebook and Blog), offering advice and clarifying concerns. Lastly, within the growing use of mobile devices and the entry of new digital competitors, BBVA Provincial, a pioneer in the Venezuelan market, has presented the first banking website in Venezuela with a responsive design, which allows access to BBVA Provincial's websites from any mobile device, providing full user-friendly navigation regardless of the size of the screen. These initiatives have allowed the bank to reach 1,493,000 online customers and 649,000 mobile customers. In addition, it closed the year with an average of 107,000,000 monthly operations on electronic channels (web, mobile, and ATMs), 95% of all the transactions carried out in the bank.

With regard to **security** in online banking services, BBVA Provincial has incorporated improvements in password validation, composition and expiration in online banking channels, ATMs, points of sale and mobile banking, thus strengthening the fight against fraud. Along these lines, an anti-fraud measure has been implemented aimed at protecting transactions with credit cards, foreign currency online and the Virtual Key mechanism, which prevents the use of customer cards without prior authorization.

Paraguay

In 2014, the Paraguayan **economy** grew by 4.0%, maintaining its position as one of the fastest growing in the region. The most buoyant economic sectors were construction, supported by various private initiatives, as well as livestock, which has recovered its volume of sales in a number of international markets following the eradication of foot-and-mouth disease. Likewise, there have been increases in investment and exports.

BBVA Paraguay has increased its profit thanks to the favorable evolution of good net interest income and moderate loan-loss provisions

The **inflation** rate stood at 4.2%, within the target range established by the Central Bank.

BBVA Paraguay's management has been positive during the year. The economic background, combined with the implementation of an ambitious business plan, has made it possible to achieve significant growth in activity, above all in the second half of the year. Thus, BBVA Paraguay closed 2014 with a notable year-on-year growth in **loans** under management (up 19.1%), boosted by the good performance of corporate lending, which was up 18.2% in the same period. With respect to customer **funds**, customer deposits under management also closed with a significant increase of 21.8%, with a particularly notable performance of time deposits (up 31.4%). BBVA Paraguay generated **earnings** of €23m in 2014, a year-on-year rise of 5.9%, strongly supported by net interest income and moderate loan-loss provisions.

It is worth noting that the bank's restructuring process, begun years ago and satisfactorily concluded in 2013, has enabled it to maintain greater focus on **customers** while increasing business diversification and adapting to market needs.

In 2014, BBVA Paraguay's initiatives for the **retail sector** have focused on establishing a pattern of recurring commercial campaigns. From the product point of view, the efforts have focused on providing innovative attributes for mortgage and auto loans, particularly designed for the public in agricultural areas.

With respect to the **wholesale business**, lending activity has been increased with the most important customers through the Credit Line Loyalty Plan and the development of more integrated management. In addition, a significant presence has been maintained in the main exhibitions and fairs in the country's most productive areas.

The efforts on the **product** side have been focused on improving transactional services.

Also of note is the transformation and increase in productivity achieved in the external sales force and telemarketing channels, thanks to the renewal of teams and methodologies.

At the same time, BBVA Paraguay has developed a number of initiatives in 2014 to improve the **digital** value offering:

- Renewal of mobile banking to make it stand out from the market.
- Launch of a new corporate website, which has been a major milestone in terms of improving the features available in digital channels.
- Launch of the first online cash advance product for credit cards, called "Adelante Efectivo" (Forward Cash).
- Online password self-management system to make it easier to access the bank.
- Development of the "Donde Estés" (Wherever You Are) campaign, helping, among other things, to boost various channels.

In terms of customer service quality, BBVA Paraguay has made a significant improvement in the results of the **IReNe** index, achieving the first place in the classification, compared with the third place in 2013.

Uruguay

Good performance by BBVA Uruguay's activity thanks to the several initiatives developed in 2014

The Uruguayan **economy** has grown by 3.7% in the third quarter of 2014, according to the latest available data. This performance has been marked by moderation in private consumption, due to lower real wages, and more moderate investment, given the end of the project of Montes del Plata cellulose manufacturer. However, this company has begun to export its production, and thus has improved the contribution of the foreign sector.

Although the Central Bank has fulfilled its monetary policy commitment, **inflation** stands at 8.3%, once more outside its target range of between 3% and 7%.

BBVA Uruguay has remained in second place in the ranking of private banks by volume of loans, with a year-on-year growth of 22.0% in **loans** under management and a market share of 20.3%, according to the latest available information as of November 2014. The growth in market share in lending has been led by the SME segment, thanks to the development of a more attractive value. In the area of individual customers, there was outstanding growth over the year in mortgage loans (up 19.0%) and consumer finance (up 11.4%), the latter strongly supported by the auto loan portfolio. Customer **funds** have grown by a year-on-year rate of 25.4%, placing BBVA in the third place of the ranking, with a market share of 17.3%. Overall, the net attributable **profit** of BBVA Uruguay in 2014 has been €20m, down 6.0% on the figure for 2013.

With respect to the main **initiatives** launched over the year:

- In auto loans, it has consolidated its leading position in the market, closing new agreements with importers and launching a new product for young people.
- In credit cards, the commercial agreement with the most important retailer in Uruguay has been maintained, allowing the bank to win new customers and achieve a global presence in the country.
- In mortgage loans, agreements have been closed with new housing developers, and the process of granting loans has been improved; the result has been a higher growth rate than that of the market as a whole.

- In distribution channels, a new BBVA Net has been launched for individuals, with a responsive design corporate model for cell phones and PCs. The “Un Cliente, Un Cliente Digital” (One Customer, One Digital Customer) campaign has also continued, leading to an increase in the active digital customer base of 26%.

South America. Data per countries

(Million euros)

Country	Operating income					Net attributable profit				
	2014	Δ%	Δ% at constant exchange rates	2013	2012	2014	Δ%	Δ% at constant exchange rates	2013	2012
Argentina	523	3.5	53.1	506	442	217	3.2	52.7	210	191
Chile	337	0.4	15.4	336	313	136	13.8	30.7	119	151
Colombia	560	6.5	13.9	525	516	269	(9.2)	(2.9)	296	295
Peru	652	0.1	5.1	651	642	169	1.7	6.7	167	170
Venezuela	731	(34.5)	20.4	1,116	1,061	162	(55.9)	(19.0)	369	329
Other countries (1)	72	(3.1)	2.9	75	50	47	(24.6)	(20.1)	63	35
Total	**2,875**	**(10.4)**	**18.6**	**3,208**	**3,023**	**1,001**	**(18.2)**	**6.3**	**1,224**	**1,172**

(1) Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

Main highlights

Among the **prizes and awards** obtained in the region in 2014 it is worth noting that once more BBVA has been chosen as one of the “Best Companies to Work For” in the different countries, according to the ranking prepared by the global firm *Great Place to Work*. Other prizes and awards include:

Awards that recognize BBVA’s leadership, soundness and solvency in the region

- BBVA Francés in Argentina, BBVA Continental in Peru and BBVA Provincial in Venezuela have been named by *The Banker* as Best Banks in their respective countries.
- At its 21st Best Banks in Latin America awards, the magazine *Global Finance* has once more named BBVA Best Bank in Peru, Venezuela and Uruguay, due to its profitability, good service, innovative products and the achievement of the best earnings figures in 2013. BBVA Continental (Peru) and BBVA Provincial (Venezuela) have obtained this award during 11 and 18 years respectively, (in Venezuela, for 8 years in a row) for attributes such as efficiency and profitability.
- The magazine *Euromoney* has named BBVA the Best Bank in Latin America. The award is a recognition of the leading position of BBVA in the region, as well as its soundness, solvency and growing customer base. Its subsidiaries in Peru and Venezuela have also earned the award at local level.
- The magazine *Latin Finance* has named BBVA Provincial and BBVA Continental as the best banks in Peru and Venezuela, respectively.
- BBVA Chile was recognized as one of the country’s most socially responsible companies, according to the national Corporate Social Responsibility ranking drawn up by Fundación Prohumana and the magazine “Que pasa”.
- BBVA Chile has received an important recognition in the Effie Awards. Under the slogan “Ideas que Funcionan”, the silver award has been given, in the financial services category, for the campaign “Van a Hablar de Ti”.
- BBVA Colombia and BBVA Provincial have received the award as the best providers of cash management services in 2014, granted by *Euromoney*.
- BBVA Francés won an award at the Effie Awards Argentina 2014, in the financial services category, for two campaigns: Estás Dulce, for simple loans, which won the Gold Effie; and Souvenir for the BBVA Francés Lanpass Cards, which won the Silver Effie.

Responsible business activities include a number of initiatives in the area of financial literacy and programs to boost financial inclusion

In **responsible banking**, a number of initiatives have been undertaken in the area of **financial literacy**, which is the core element of BBVA Group's Responsible Business Plan. The most relevant initiatives are:

- In Argentina, the Financial Literacy Program for SMEs was launched at the Business School of the Department of Economic Sciences of Universidad Católica Argentina.
- BBVA Chile has launched the fourth edition of the Young Social Entrepreneurs program, which was attended by 50 participants and 25 BBVA mentors. The young entrepreneurs take part in 9-month training workshops organized by Fundación Vertical, where they acquire the technical expertise and social skills needed to devise, plan and execute entrepreneurship and innovation projects. In addition, financial literacy microprograms were launched through various social networks and the CNN Chile channel, including a new website: www.educacionfinancierabbva.com.
- A program aimed at SMEs has also been implemented in Colombia through an alliance between BBVA and Universidad de los Andes that seeks to provide training to the country's SMEs in business administration and new trends for developing sustainable businesses. The partnership between both entities will offer a 54-hour training program to 150 entrepreneurs. BBVA has also established an alliance with the Ministry of Defense of Colombia and launched the Tarjeta Héroes card in the country. This alliance comprises a welfare project aimed at the members of the military forces that includes training in the use of financial products, support for the education of their children, and an offering of products and services at no cost for this group.
- In Peru, the bank has organized the second training conference and the second round of support for teachers at schools in the nine regions of the country taking part in the "Leer es Estar Adelante" (Reading Means Keeping Ahead) program. Momentum Project Peru has completed its first edition with an event at which the four social ventures selected had a chance to set out their growth plans to the audience, after months of training and work.
- In Venezuela the BBVA Provincial Foundation has announced the winners of the 16th Programa Papagayo 2014 contest. This initiative is tasked with providing education in values, through the promotion of creative reading and writing, to children in public and subsidized schools throughout Venezuela. This year 438 teachers from around the country were nominated, of whom 212 completed the process. The program has benefited more than 6,000 primary education students. Also in Venezuela, and for the third year in a row, the bank has organized the BBVA Provincial Foundation Entrepreneurship Chair, which aims to educate and train young people, professionals and communities using a perspective that seeks to encourage and promote entrepreneurship among those interested in setting up micro-enterprises or organized businesses through training in skill-building subjects.
- BBVA volunteer groups have run financial literacy workshops in Uruguay.

The following initiatives have contributed to the development of **financial inclusion**:

- BBVA Continental in Peru has launched "Efectivo Móvil" (Mobile Cash), which enables people to send cash from a cell phone and withdraw it from any of the bank's ATMs without the need to be a customer or use a card. This is a technological innovation that will benefit over 4 million self-employed people.
- In Colombia, the "Tarjeta de Crédito Congelada BBVA" has been launched. It is an initiative that provides a special credit card to people on low incomes.

Lastly, of note in **brand and image recognition** is the El Celler de Can Roca tour. The Roca brothers, who are the owners of the best restaurant in the world, visited Colombia and Peru, where they offered dinners for BBVA customers, businesspeople and leading personalities in these countries. In Colombia they selected two young cooking students, out of ten, from SENA (the National Learning Service) to study for four months at their restaurant, and three agricultural producers as suppliers of the Celler de Can Roca seal. In Peru, a restaurant was set up at the bank's headquarters and a number of conferences and events were organized, along with a bio-fair and an exhibition of gastronomic photographs.

Corporate Center

Income statement

(Million euros)

	Corporate Center			
	2014	∆%	2013	2012
Net interest income	**(651)**	**(3.0)**	**(671)**	**(397)**
Net fees and commissions	(92)	n.m.	(3)	7
Net trading income	(60)	n.m.	347	597
Other income/expenses	139	18.2	117	184
Gross income	**(664)**	**216.3**	**(210)**	**391**
Operating expenses	(989)	(15.3)	(1,168)	(1,072)
Personnel expenses	(450)	(6.1)	(479)	(506)
General and administrative expenses	(80)	(68.6)	(254)	(216)
Depreciation and amortization	(459)	5.6	(435)	(351)
Operating income	**(1,653)**	**20.0**	**(1,378)**	**(681)**
Impairment on financial assets (net)	3	n.m.	(11)	(20)
Provisions (net) and other gains (losses)	(270)	215.9	(85)	(82)
Income before tax	**(1,920)**	**30.2**	**(1,474)**	**(783)**
Income tax	472	101.3	235	403
Net income from ongoing operations	**(1,447)**	**16.8**	**(1,240)**	**(380)**
Results from corporate operations	-	-	383	1,303
Net income	**(1,447)**	**69.0**	**(857)**	**923**
Non-controlling interests	3	n.m.	(116)	(72)
Net attributable profit	**(1,444)**	**48.4**	**(973)**	**850**
Net attributable profit (excluding the results from corporate operations)	**(1,444)**	**6.5**	**(1,356)**	**1,229**

Balance sheet

(Million euros)

	Corporate Center			
	31-12-14	∆%	31-12-13	31-12-12
Cash and balances with central banks	14	(50.0)	29	114
Financial assets	2,894	(0.2)	2,901	2,738
Loans and receivables	24	(89.9)	238	2,786
Loans and advances to customers	24	(89.9)	238	2,448
Loans and advances to credit institutions and others	-	-	-	337
Inter-area positions	-	-	-	-
Tangible assets	2,245	6.9	2,101	2,012
Other assets	18,196	3.9	17,520	20,320
Total assets/Liabilities and equity	**23,374**	**2.6**	**22,787**	**27,971**
Deposits from central banks and credit institutions	-	-	2,148	93
Deposits from customers	-	-	(2,148)	1,072
Debt certificates	5,875	(23.9)	7,717	10,273
Subordinated liabilities	3,958	162.6	1,507	458
Inter-area positions	(14,700)	30.5	(11,265)	(5,698)
Financial liabilities held for trading	-	-	-	-
Other liabilities	6,733	38.1	4,877	10,402
Shareholders' funds	47,669	6.3	44,847	41,585
Economic capital allocated	(26,162)	5.1	(24,897)	(30,214)

Definition

The Corporate Center is an aggregate that contains those items that have not been allocated to the business areas, as it basically corresponds to the Group's holding function. It groups together the costs of the head offices that have a corporate function; management of structural exchange-rate positions, carried out by BBVA's Strategy and Finance Area; specific issues of capital instruments that ensure adequate management of the Group's global solvency; portfolios and their corresponding earnings, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with pensioners; goodwill and other intangibles. It also comprises the result from certain corporate operations carried out in previous years, such as the equity-accounted earnings from CNCB (excluding the dividends) for both 2013 and 2012. Lastly, in 2012 it includes the financial statements of BBVA Puerto Rico until its sale in December 2012.

Earnings analysis

In 2014, the Corporate Center registered a **net attributable loss** of €1,444m, compared with a loss of €973m the previous year, which included a positive €383m under the heading "results from corporate operations".

The most notable aspects of the different lines in the income statement are as follows:

- **Gross income** in 2014 has been a negative €664m. This figure compares with the negative €210m in 2013, which included high positive NTI resulting from good management of structural exchange-rate risk and the capital gains from the sale of some of the unit's holdings in industrial and financial companies.

- Operating expenses have accelerated their year-on-year decline to 15.3% due to the measures to keep costs in check applied in recent years. As a result, **operating income** totals a negative €1,653m (compared with a negative €1,358m in the previous year).

- There were no results from **corporate operations** in 2014. In 2013 this heading included: income from the Group's pension business in Latin America (including capital gains from its sale); the capital gains from the sale of BBVA Panama; and lastly, the effect of the signing of the agreement with CITIC Limited, which included the divestment of 5.1% of CNCB, and brought as a consequence the repricing of BBVA's entire stake in CNCB to market value, as well as the reclassification of the equity-accounted income from CNCB (excluding dividends). In 2012, the results from corporate operations amounted to €1,303m and included: the badwill generated in the Unnim operation, the earnings from the sale of BBVA Puerto Rico; and the figures from the pension business and the equity-accounted earnings from CNCB (excluding dividends) for that year.

- The Corporate Center also includes the figures from **BBVA Panama** until its sale, which was closed in December 2013.

Asset/Liability Management

The Assets and Liabilities Management unit in BBVA's Strategy and Finance Area is responsible for managing structural interest-rate and foreign-exchange positions, the Group's overall liquidity as well as shareholders' funds. Earnings from the management of liquidity and the structural interest-rate positions in each balance sheet are registered in the corresponding areas. With respect to the management of the exchange-rate risk of BBVA's long-term investments, the results are included in the Corporate Center. Likewise, this aggregate includes the earnings from specific issues of capital instruments to ensure adequate management of the Group's global solvency.

Liquidity and funding management aims to fund the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of funding. A core principle in BBVA Group's liquidity and funding management is the financial independence of its foreign banking subsidiaries abroad. This principle prevents the propagation of a liquidity crisis among the Group's different areas and guarantees correct transmission of the cost of liquidity to the price formation process.

In **2014**, BBVA's balance sheet in the euro area continued its deleveraging process, in an environment of incipient recovery in loan demand and stability in customer funds. The wholesale funding needs have therefore been lower. The short and long-term wholesale funding markets had a positive performance in Europe and Spain as a result of the measures adopted by the ECB, the continued progress made in European construction and its banking union, and the improvement in risk perception among the European countries.

Against this backdrop, **BBVA** has been able to access the markets on normal terms, as demonstrated by the successful issues of covered bonds, senior debt and regulatory capital (eligible as additional Tier I), with a very high level of demand and acceptance among foreign fixed-income investors.

Outside Europe, the situation has also been positive in the geographical areas where BBVA operates, enabling the Group to strengthen its liquidity position in all the regions where it is present. The financial soundness of its subsidiary banks is supported by the funding of lending activity basically through the use of customer funds. Of note in this respect is the extraordinary performance of new deposits in Mexico over the year. In the case of BBVA Compass, the favorable liquidity position has been the dominant trend, despite the high demands of lending activity. Of particular note is the senior debt issue by BBVA Compass, which after seven years out of the market, has placed USD 1 billion at 3 and 5-year maturities with an excellent uptake by investors. With respect to the balance sheets of South America's subsidiaries, the liquidity situation has been strengthened by the growth in customer funds and also by issues on the respective local markets in Chile, Colombia, Argentina and Paraguay. All these issues have enjoyed an excellent uptake by investors. They have also allowed the banks to diversify their sources of funding and demonstrated BBVA's soundness in the region, as well as the good operation of local markets.

To sum up, BBVA's proactive policy in its liquidity management, the growth in customer funds in all geographical areas, its proven ability to access the market, even in difficult environments, its retail business model and the relatively small balance sheet size, provides a comparative advantage against its peers. Moreover, the increased weight of retail deposits within the balance sheet continues to strengthen the Group's liquidity position and to improve its funding structure.

The **foreign-exchange risk** management of BBVA's long-term investments, basically stemming from its franchises abroad, aims to preserve the Group's capital adequacy ratios and ensure the stability of its income statement.

In **2014**, BBVA maintained an active hedging activity that mitigated the impact in the income statement and practically isolated its impact in the capital base. For 2015, the same prudent and proactive policy will be pursued.

The unit also manages the **structural interest-rate risk** on the Group's balance sheet. This aims to maintain a steady growth in net interest income in the short and medium term, regardless of interest-rate fluctuations.

In **2014**, the results of this management have been very satisfactory, with extremely limited risk strategies in Europe, the United States and Mexico. These strategies are managed both with hedging derivatives (caps, floors, swaps and FRAs) and with balance-sheet instruments (mainly government bonds with the highest credit ratings and liquidity). The amount of NTI generated in Spain, Mexico and the United States is the result of prudent portfolio management strategies, particularly in terms of sovereign debt, in a context marked by low interest rates.

The Bank's **capital management** has a twofold aim: to maintain levels of capitalization appropriate to the business targets in all the countries in which it operates and, at the same time, to maximize the profitability of the shareholders' funds through an efficient allocation of capital to the various units, adequate balance sheet and proportionate use of the various instruments that comprise the Group's equity: common stock, preferred securities, contingent convertible bonds and subordinated debt.

The highlights as regards capital management in **2014** are summarized below:

- January 2014 saw the coming into force of **Royal Decree 14/2013**, dated November 29, and of Bank of Spain Circular 2/2014, which aim to adapt the European solvency regulations CRD IV (CRR 575/2013 and CRD 2013/36, both of June 26) to Spanish law. These regulations have had a limited impact on the Group's capital adequacy ratios.

- Several debt **issues** have strengthened the Group's capital base and helped optimize its structure under CRD IV:

    1. The first, completed in February, was the second issue of contingent convertible securities, eligible as additional Tier I under the new regulations in force, for €1.5 billion and a coupon of 7%. Demand for the issue was over €14 billion, reflecting the high investor appetite for these instruments issued by BBVA.

    2. The second was issued early in April. It was a subordinated debt issue for €1.5 billion at 3.5%, and had a demand of over €7 billion, eligible as Tier II under the new solvency requirements.

    3. The third, in November, was a capital increase for €2 billion through an accelerated bookbuilt offering targeted at institutional investors. The capital increase strengthened the Group's capital adequacy ratios by 58 basis points (at the date of its execution), which will allow the Bank to address future growth from a sound solvency position.

- The Annual General Meeting held on March 14, 2014 approved the continuation of the "**dividend-option**" shareholder remuneration program, under which BBVA shareholders can continue to obtain a broader range of remuneration instruments for their shares, as it offers them the possibility of receiving their remuneration in new BBVA shares or in cash, as they choose. Three operations have been completed under this scheme in 2014, in April, October and December. The first was for a gross €0.17 per share. On this occasion, the holders of 89.2% of the free allocation rights chose to receive new shares, which resulted in the issue of 101,214,267 new BBVA shares. In October and December, the "dividend-option" program paid out a gross €0.08 per share. The percentage of shareholders who chose to receive new BBVA shares in October was 85.1%, and in December 86.0%. In the first case 41,746,041 new shares were issued and in the second 53,584,943. The high percentage of shareholders choosing to receive new shares confirms the confidence felt by shareholders in the future performance of the share.

- Furthermore, in July BBVA **paid a cash** dividend of €0.08 gross for each outstanding share.

- In 2014, BBVA has **repurchased** three subordinated issues which were no longer eligible as Tier II capital and, for January 21, 2015, announced the exercise of its call option on two issues of preferred debt subject to grandfathering: series E and F, at a nominal GBP 251m and €664.65m, respectively. These issues come from a liability management operation carried out in 2009. They were placed on the institutional market and are gradually becoming non-eligible as Tier I capital.

- Lastly, some Group **subsidiaries** have issued subordinated debt over the year, including BBVA Continental in Peru (third quarter) for USD 300m and BBVA Bancomer in Mexico (fourth quarter) for USD 200m. In addition, the subsidiaries in Colombia, Paraguay and Uruguay have issued subordinated debt for COP 200 billion, USD 20m and USD 15m, respectively.

To sum up, these measures mean that the current levels of the Group's capitalization easily meet the legal limits and enable appropriate compliance with all the capital targets.

Other information: Corporate & Investment Banking

Highlights in 2014

- Good performance of loan book and customer deposits in practically all the geographical areas.
- Strength and quality of gross income, strongly supported by the favorable trend in revenue from customer activity.
- Good risk indicators.

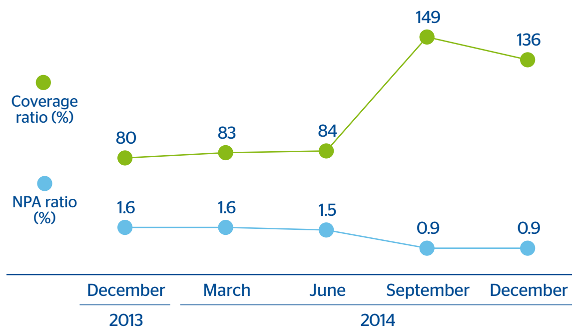
Activity (1)

Year-on-year changes at constant exchange rates
Balances as of 31-12-14

+9.2% Loans

+25.2% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rates

Net interest income	1,520	+7.0%
Gross income	2,873	+5.5%
Operating income	1,962	+5.7%
Net attributable profit	1,084	-3.4%

(1) Loans under management and customer deposits under management (including area's repos in Mexico). Excluding Global Markets' balances.

Income statement

(Million euros)

	Corporate & Investment Banking				
	2014	Δ%	Δ% (1)	2013	2012
Net interest income	**1,520**	**(1.9)**	**7.0**	**1,549**	**1,617**
Net fees and commissions	744	1.3	5.2	734	717
Net trading income	555	(15.3)	(2.0)	656	254
Other income/expenses	54	n.m.	75.2	7	46
Gross income	**2,873**	**(2.5)**	**5.5**	**2,946**	**2,633**
Operating expenses	(911)	1.4	5.0	(899)	(885)
Personnel expenses	(473)	(1.5)	(0.3)	(481)	(500)
General and administrative expenses	(419)	5.0	11.9	(399)	(368)
Depreciation and amortization	(19)	(0.9)	0.3	(19)	(18)
Operating income	**1,962**	**(4.2)**	**5.7**	**2,047**	**1,748**
Impairment on financial assets (net)	(200)	113.7	114.2	(94)	(165)
Provisions (net) and other gains (losses)	(72)	113.8	158.3	(34)	(13)
Income before tax	**1,689**	**(12.0)**	**(2.6)**	**1,919**	**1,569**
Income tax	(467)	(15.7)	(6.3)	(554)	(449)
Net income	**1,222**	**(10.5)**	**(1.1)**	**1,365**	**1,120**
Non-controlling interests	(138)	(13.3)	21.6	(159)	(129)
Net attributable profit	**1,084**	**(10.1)**	**(3.4)**	**1,206**	**991**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	Corporate & Investment Banking				
	31-12-14	Δ%	Δ% (1)	31-12-13	31-12-12
Cash and balances with central banks	3,297	21.1	31.1	2,722	12,555
Financial assets	93,648	17.7	17.6	79,572	83,822
Loans and receivables	76,096	18.8	17.6	64,028	68,395
Loans and advances to customers	51,841	13.2	11.9	45,813	47,527
Loans and advances to credit institutions and others	24,254	33.2	31.8	18,215	20,869
Inter-area positions	3,262	(55.8)	(35.6)	7,377	6,203
Tangible assets	23	(10.3)	(14.3)	26	40
Other assets	3,424	29.5	30.3	2,644	3,233
Total assets/Liabilities and equity	**179,750**	**15.0**	**16.3**	**156,370**	**174,248**
Deposits from central banks and credit institutions	59,923	10.1	9.8	54,435	73,364
Deposits from customers	51,334	12.8	17.7	45,511	32,692
Debt certificates	(44)	(65.7)	(65.7)	(128)	(228)
Subordinated liabilities	1,514	20.8	19.7	1,253	1,567
Inter-area positions	-	-	-	-	-
Financial liabilities held for trading	57,328	23.4	23.4	46,442	56,001
Other liabilities	5,323	7.7	9.2	4,942	5,713
Economic capital allocated	4,371	11.6	11.3	3,915	5,138

(1) At constant exchange rates.

Relevant business indicators

(Million euros and percentage)

	Corporate & Investment Banking		
	31-12-14	31-12-13	31-12-12
Performing loans [1]	51.861	46.066	47.178
Customer deposits under management [1-2]	37.289	31.765	24.342
Mutual funds	1.093	713	860
Pension funds	-	-	-
Efficiency ratio (%)	31,7	30,5	33,6
NPA ratio (%)	0,9	1,6	1,5
NPA coverage ratio (%)	136	80	71
Cost of risk (%)	0,39	0,19	0,29

(1) Figures at constant exchange rates.
(2) Including area's repos in Mexico.

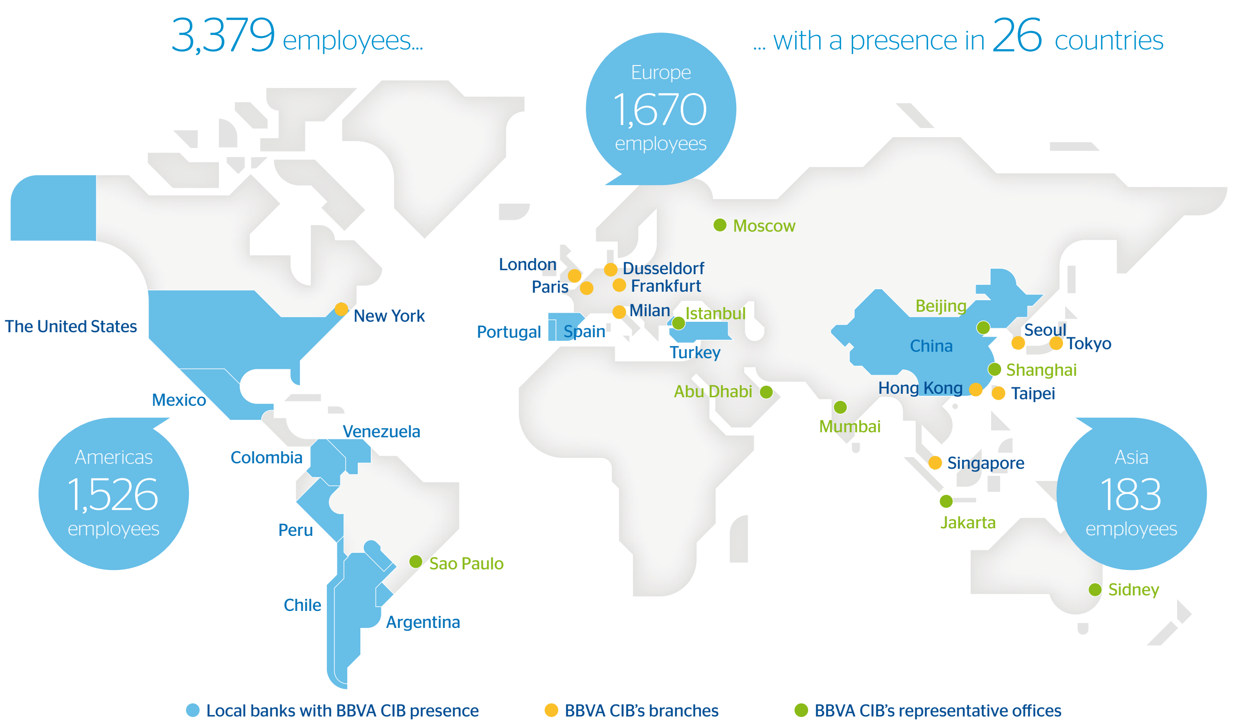
Definition

Corporate & Investment Banking (CIB or BBVA CIB) includes the Group's wholesale businesses, i.e. investment banking, global markets, global loans and transactional services for international corporate customers and institutional investors in all the geographical areas where it operates.

BBVA CIB is a provider of high added-value services that, thanks to its successful business model, offers a complete catalog of products for its customers, ranging from the simplest to the most complex solutions.

BBVA's significant presence and experience on the Latin American markets has allowed BBVA CIB to position itself as a benchmark for customers around the world with interests in this region.

CIB. A global business unit with a diversified business



Source: Figures from BBVA CIB human resources as of December 2014.

Macro and industry trends

As mentioned above, the **global economy** showed signs of recovery in 2014, although at a slower pace than expected and with differences between countries and regions: on the one hand, there is the positive trend reported by the United States, and on the other, the moderate recovery in the Eurozone.

With respect to **wholesale banking activity**, the year has been marked by historically low levels of volatility in the capital markets, although with some one-off episodes of risk aversion (particularly in October, though this returned to normal by the end of the year). It has also been strongly conditioned by the announcements and actions of the different central banks. In September, the Fed announced another reduction in its stimulus plan and a future normalization of its monetary policy, while the ECB made a further cut to interest rates and, after several years of resistance, began to buy financial assets to stimulate the economy and address the low inflation figures, with the clear intention of taking additional measures if necessary.

Wholesale activity has been marked by reduced levels of volatility, different economic policies applied by central banks, and abundant liquidity

In this environment, where liquidity has been abundant, with continued uncertainty regarding growth in some geographical areas (due to falls in the price of oil and other commodities) and inflation expectations continuing low, long-term interest rates have fallen. They have done it moderately in the United States but more aggressively in Europe, both in the core and the peripheral countries, where there has been a general reduction in the cost of risks.

In the **currencies market**, the diverging monetary policies have contributed to a significant and general appreciation of the dollar against the main currencies, in both developed and emerging countries. In this regard, it is worth noting that the impact of the year-on-year change in exchange rates has been negative on CIB's balance sheet, activity and earnings. All the comments below on rates of change will be expressed at constant exchange rates, unless expressly stated otherwise.

Management priorities

In **2014**, BBVA CIB has continued to strengthen its customer-centric strategy, boosting cross-selling and prioritizing profitability over volume. This has meant working on the following strategic priorities: maximizing its footprint, making progress toward a less capital-intensive model and continuing with cost efficiency and digital transformation. To sum up, progress has been made in three main directions:

Make progress toward a less capital-intensive and more efficient model, continue with the digital transformation and identify new business opportunities, all this while maintaining a customer-centric strategy

- Collaboration with the Group's local networks in all geographical areas as a basic lever for ensuring the profitability of the business structure. Here, worth highlighting is the development of the United States Plan, which is leading to an increase in the customer base and the growth of all the forms of CIB's business in the country.
- Migration to a less capital-intensive model through the execution of strategic plans focused on flow products (currencies, collection and payment management and foreign trade).
- Boost to the digitization of CIB as a key element in improving customer experience and implementing the business transformation plans.

With respect to the **future**, BBVA CIB's main objectives to ensure an outstanding contribution to the Group are:

- Continue with the development of the strategic plans of the different units, with the focus on core geographical areas and flow products.

- Identify new business opportunities and design plans and initiatives to make the most of these opportunities.
- Continue to make progress on digital transformation.

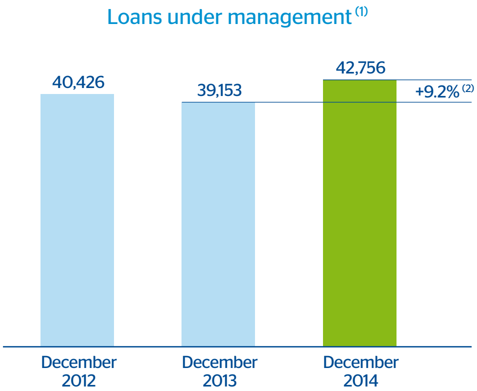
Activity analysis

In lending, the deleveraging rate in Europe is slowing

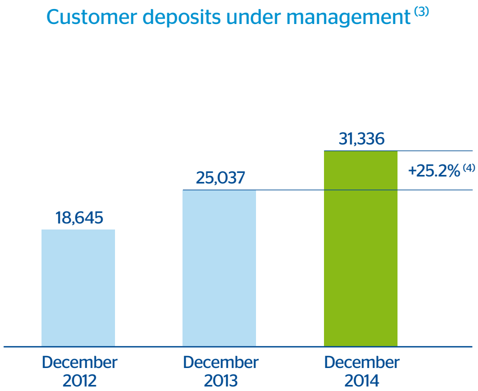
At the close of 2014, **loans** under management in CIB increased by 9.2% in year-on-year terms, not including the figures from Global Markets. By geographical areas, there is an outstanding growth in Mexico and the United States, whose increases in the same period stand at 23.0% and 25.4%, respectively. Activity in South America has increased by 8.3%. In Spain and Europe, there has been a clear slowing of the rate of deleveraging in 2014, as a result of an incipient recovery in demand for loans. The balance of the loan book in Spain has increased by 2.2%, although in Eurasia it has fallen by 3.9%.

CIB. Key activity data

(Million euros at constant exchange rates)



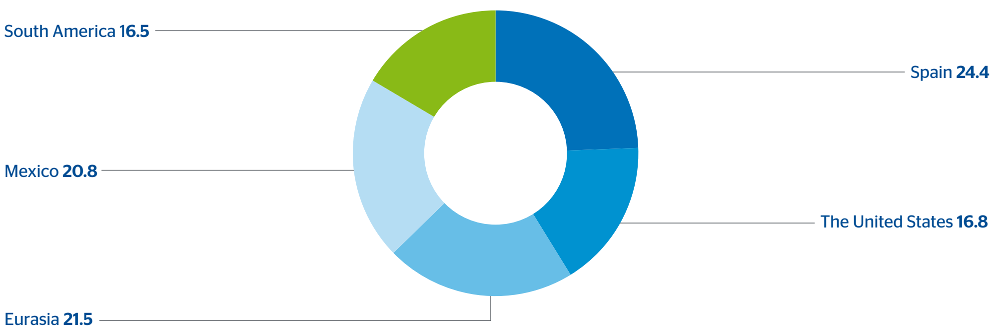
(1) Excluding Global Markets' balances.
(2) At current exchange rates: +10.6%.



(3) Incluiding area's repos in Mexico and excluding Global Markets' balances.
(4) At current exchange rates: +16.0%.

CIB. Loans under management breakdown by geographies (1)

(Percentage as of 31-12-2014)



(1) Excluding Global Markets' balances.

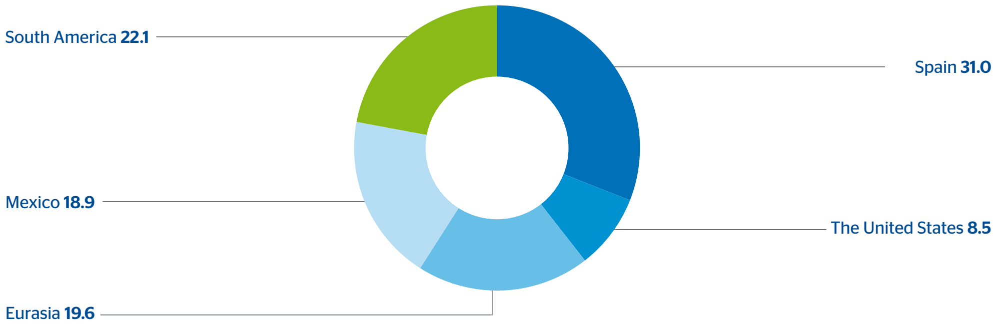
This increased activity is accompanied by an improvement in **asset quality**. The NPA ratio has declined to 0.9% (1.6% as of 31-Dec-2013) and the coverage ratio has increased to 136% (80% on the same date in 2013).

In 2014 there has been a significant increase in new customer **deposits** under management, with their balance as of 31-Dec-2014 increasing year-on-year by 25.2% (also not including the Global Markets unit), with good performance across all the Group's geographical footprint.

Significant increase in customer deposits

CIB. Breakdown of customer deposits under management by geographies

(Percentage as of 31-12-2014)



(1) Incluiding area's repos in Mexico and excluding Global Markets' balances.

As a result of the above, the commercial and liquidity gap of CIB's banking business continues to narrow.

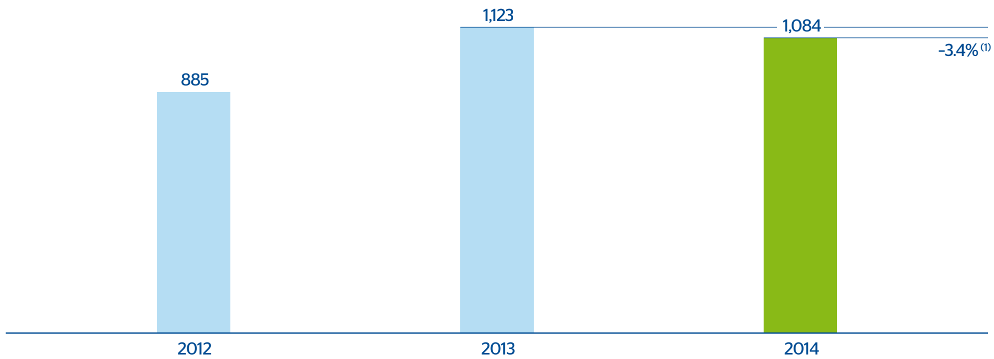
Earnings analysis

In 2014 CIB generated a **net attributable profit** of €1,084m, 3.4% less than in the same period in 2013. The main headings explaining this are as follows:

Good revenue performance, strongly supported by customer activity

CIB. Net attributable profit

(Million euros at constant exchage rates)

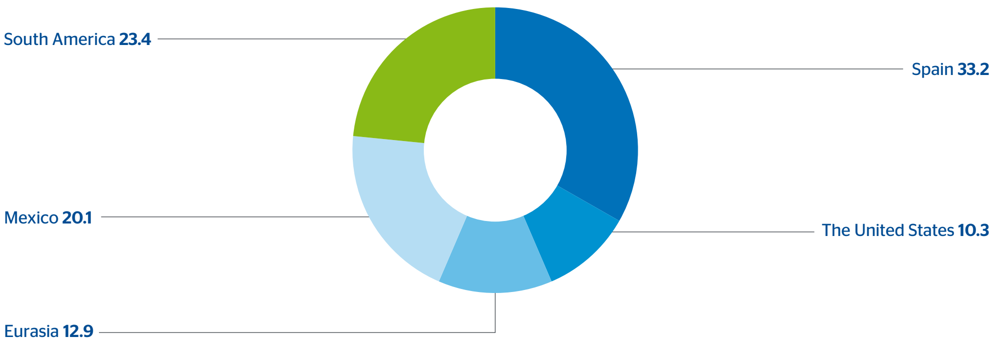


(1) At current exchange rates: -10.1%.

- Good revenue figures, with cumulative **gross income** for the 12 months growing year-on-year by 5.5%. Global Transaction Banking and Global Markets are the units that have contributed most to this growth.

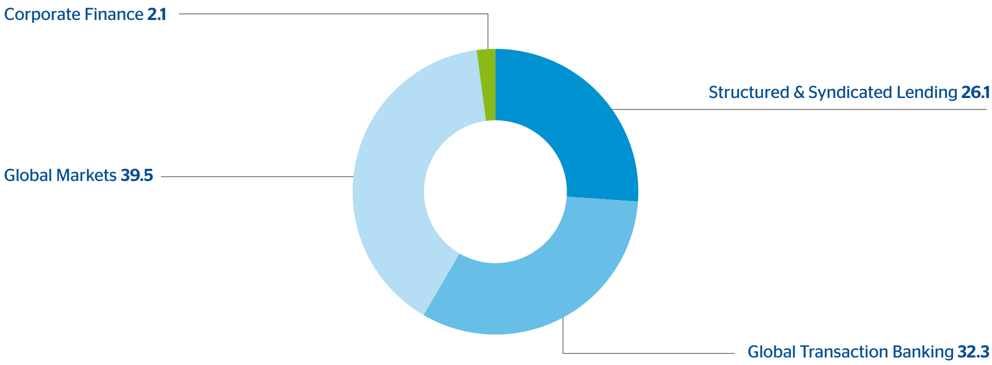
CIB. Gross income by geographies

(Percentage as of 31-12-2014)



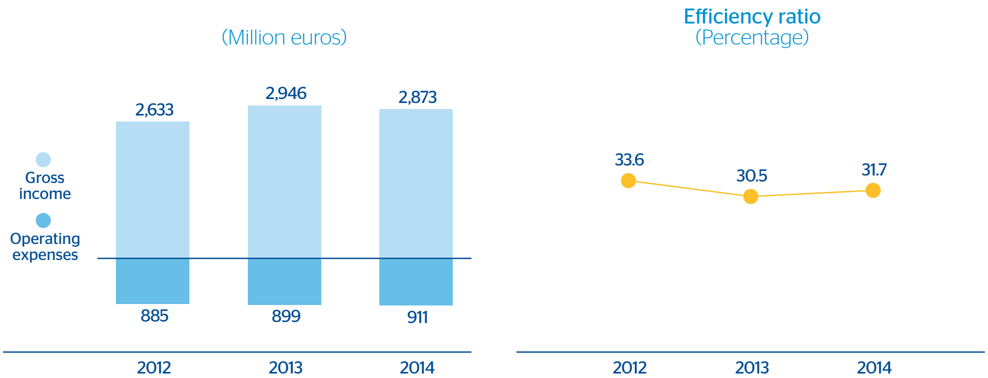
CIB. Breakdown of gross income by business line

(Percentage as of 31-12-2014)



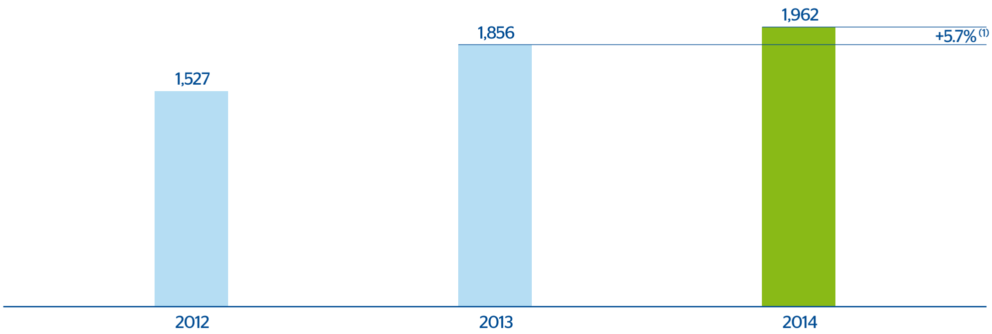
- The slowdown in the increase of operating expenses to a year-on-year growth of 5.0%, despite the high level of inflation in some countries and the costs derived from the investments in technology carried out in recent years.
- The increase in revenue explains the growth in **operating income** of 5.7% in year-on-year terms.

CIB. Efficiency



CIB. Operating income

(Million euros at constant exchange rates)



(1) At current exchange rates: –4.2%.

- The year-on-year increase in the volume of **impairment losses on financial assets** is influenced both by the provisions derived from increased lending this year and, in particular one-off items registered last year.

Below are some of the highlights and most important deals carried out by the different CIB business units in 2014.

Corporate Finance

This unit provides financial advice in mergers, acquisitions and sales of companies and assets.

BBVA: leading financial adviser in the Spanish M&A market

BBVA has consolidated its position as the leading financial adviser in the **Spanish** mergers and acquisitions (M&A) market, with a total of 86 deals since 2009, according to *Thomson Reuters*. It has also performed well in Latin America. In 2014, BBVA was named "Spain Financial Adviser of the Year" by *Mergermarket* and "Best M&A House in Spain" by *Euromoney*. The following were some of the most important deals in 2014:

- Advice to the Irish government through ESB and to Osaka Gas of Japan on the sale of Bizkaia Energia to ArcLight Capital.
- Advice to FCC on the sale of a 51% stake in FCC Energía, its renewable energy division, to Plenium Partners.
- Advice to the Board of Directors of Campofrío in relation to the takeover bid launched by a consortium made up of Sigma (Mexico) and WH Group (China).
- Advice to Global Ports Holding of Turkey on the tender for the new passenger terminal for the port of Lisbon.

BBVA also plans to replicate the unit's success in the Spanish market in **Latin America** and **the United States**. That is why it has reinforced its teams in these geographical areas in recent years. The following are the highlights of the operations carried out there:

- Advice in Peru to Enagás on the acquisition of a 20% stake in TgP. This is the second most important investment in history carried out by a Spanish company in Peru.
- Advice in Mexico to Alsea on the acquisition of 71.76% of Grupo Zena.
- Advice in Mexico to Empresas ICA on the acquisition of Facchina Construction Group in the United States.

- Advice in the United States to Heritage-Crystal Clean on the acquisition of 100% of FCC Environmental, a subsidiary of FCC.

Main Corporate Finance transactions in 2014

Spain/Portugal/Turkey Global Ports Holding Sole financial advisor in the tender for the new Lisbon port passenger terminal 24,000,000 EUR Corporate Finance	Spain/China Osborne Financial advisor in the incorporation of a new partner and minority shareholder Fosun Confidential Corporate Finance	Spain/The United Kingdom Financial advisor in the sale of Ono to Vodafone 7,200,000,000 EUR Corporate Finance	Spain/Ireland/Japan ESB / Osaka Gas Sole financial advisor in the sale of BizkaiaEnergia to ArcLight Confidential Corporate Finance
Spain FCC Financial advisor in the sale of a 51% stake FCC Energía to Plenium Partners Confidential Corporate Finance	Spain/Mexico/China Campofrío Fairness opinion provider in relation to Sigma / WH Group 1,178,000,000 EUR Corporate Finance	Mexico/Spain Alsea Financial advisor in the acquisition of 72% of Zena 260,000,000 EUR Corporate Finance	The United States/Spain Crystal Clean Sole financial advisor in the acquisition of FCC environmental to FCC 90,000,000 EUR Corporate Finance
Mexico Fibra Shop Financial advisor in the acquisition of 3 shopping centers of Kimco Realty 1,461,000,000 MXN Corporate Finance	Mexico/The United States ICA Financial Advisor in the acquisition of the 100% of Facchina 100,000,000 USD Corporate Finance	Mexico Banco del Bajío / Afirme Financial advisor in the transfer of the portfolio managed by or Afore Afirme Bajio to Profuturo GNP Confidential Corporate Finance	Peru Enagas Sole financial advisor in the acquisition of a 20% stake in TgP and a 30% stake in Coga TgP / Coga to Repsol / Hunt Oil Company / CPP Investment Board 481,000,000 USD Corporate Finance

Equity Capital Markets

BBVA consolidates its leadership in the capital markets

This unit carries out all the activities related to equity market issues. With 31 operations completed in 2014, BBVA has consolidated its leadership in the capital markets.

In **Spain**, BBVA has participated in the largest market operations, such as Endesa's follow-on offering, the initial public offerings of Logista and Merlin Properties, the accelerated bookbuilt offerings by Gamesa and Liberbank, and the issues of convertible securities by ACS and Acciona.

Major operations have also been carried out in **Europe**, including the initial public offerings of NN Group, Euronext and Espirito Santo Saude, and the capital increases by Telefónica Deutschland, Deutsche Bank, Banca Monte dei Paschi di Siena, Banco Espirito Santo and Banco Popolare.

Outside Europe of note has been the positive performance in **Mexico**, where BBVA has led the follow-on offerings of Fibra Uno, Alsea and Pinfra.

Main Equity Capital Markets transactions in 2014

Country	Issuer	Amount	Transaction	Product	Role
Spain	endesa	3,000,000,000 EUR	Follow on	Equity Capital Markets	Global Co-ordinator
Spain	BBVA	2,000,000,000 EUR	Accelerated bookbuild	Equity Capital Markets	Co-bookrunner
Mexico	Fideicomiso Hipotecario	500,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
The United States	Atento	150,000,000 USD	IPO	Equity Capital Markets	Co-manager
Spain	DOGI	2,000,000 USD	Rights issue	Equity Capital Markets	Bookrunner
Germany	Telefónica	838,000,000 EUR	Rights issue	Equity Capital Markets	Co-manager
Spain	Gamesa	236,000,000 EUR	Accelerated bookbuild	Equity Capital Markets	Co-lead manager
Portugal	Millennium bcp	2,242,000,000 EUR	Rights issue	Equity Capital Markets	Co-manager
Mexico	PINFRA	460,000,000 EUR	Follow on	Equity Capital Markets	Co-manager
Spain	Logista	460,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
Netherlands	NN	1,800,000,000 EUR	IPO	Equity Capital Markets	Lead manager
Italy	Monte dei Paschi di Siena	5,000,000,000 EUR	Rights issue	Equity Capital Markets	Co-lead manager
Spain	Merlin Properties	1,250,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
Germany	Deutsche Bank	6,757,000,000 EUR	Rights issue	Equity Capital Markets	Co-bookrunner
Mexico	Alsea	462,000,000 USD	Follow on	Equity Capital Markets	Bookrunner
Netherlands	Euronext	845,000,000 EUR	IPO	Equity Capital Markets	Lead manager
Spain	liberbank	485,000,000 EUR	Rights issue	Equity Capital Markets	Joint bookrunner
Portugal	Banco Espirito Santo	1,044,000,000 EUR	Rights issue	Equity Capital Markets	Co-bookrunner
Mexico	Fibra Uno	1,861,000,000 EUR	Follow on	Equity Capital Markets	Bookrunner
Spain	liberbank	317,000,000 EUR	Accelerated bookbuild	Equity Capital Markets	Joint bookrunner
Italy	Banco Popolare	1,500,000,000 EUR	Rights issue	Equity Capital Markets	Co-bookrunner
Spain	ACS	405,000,000 EUR	Convertible	Equity Capital Markets	Joint bookrunner
Portugal	Espirito Santo Saúde	130,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
Spain	acciona	325,000,000 EUR	Convertible	Equity Capital Markets	Co-lead manager

Structured & Syndicated Lending

Corporate Lending

BBVA leads the rankings for syndicated loans in Spain and several operations in Latin America

BBVA's Corporate Lending team has a worldwide reputation for its excellence in structuring, underwriting and distribution of syndicated loans for corporate customers. In 2014 it has continued to lead the rankings for syndicated loans in Spain and collaborated on major operations with top companies in the rest of the geographical areas across the Group's footprint.

Among the finance operations with companies in **Iberia** are the syndicated loans for Almirall, Antolín, Aspro Ocio, Cepsa, EDP, Elecnor, Enagás, Mango, Mapfre, Maxam, Osborne, Roca and Grifols. Grifols in particular is of great importance, due to the work in underwriting and distribution, together with other banks, to other financial institutions and institutional investors.

In **Eurasia** there were outstanding operations for Anglo American, Bayer, China Mining & Metals, COFCO, Imperial Tobacco, Fiat Spa and SIAS Spa.

In **Latin America** BBVA has led several operations, such as the syndicated loan as sole bookrunner for San Luis Rassini; finance for the acquisition of EEB as joint bookrunner; and the first syndicated loan for Grupo Senda. It has also led the revolving credit facilities for Mexichem and América Móvil and the term loans for Grupo Gigante, Cinepolis, Pemex and Molymet (Chile). Lastly, it has been the mandated lead arranger in the finance arranged for Intercement in Brazil and Cerro Verde in Peru, and has underwritten the finance for the purchase of Alsea/Zena (Mexico/Spain), as well as providing financial support for an acquisition in Peru by Unacem using a bridge loan.

In the **United States** there was the signing of syndicated loan facilities for Caterpillar, Sealed Air Corp, Synchrony Financial and Torchmark Corp, and its role as bookrunner for the refinancing of Rent-A-Center.

Project and Leveraged Finance

BBVA, one of the main financing arrangers, through project and leveraged finance in Spain, Latin America and the United States

BBVA has remained one of the main arrangers of leveraged finance on the Spanish market, and has closed a number of operations in Europe, such as finance for the acquisitions of Deoleo by CVC, Derprosa by Teghleef Industries and Grupo Quirón by IDC Salud (a company controlled by CVC).

In **project finance**, BBVA has consolidated its leading position in support for customers through the advice and financing of infrastructure and energy operations such as: Saba Aparcamientos, EMASESA and the acquisition by Creuers of Port de Barcelona. BBVA has also played a key role in the financing of the Adana hospital and the STAR refinery in Turkey, the acquisition of the Bord Gais wind farms and the acquisition of the rights to the tariff deficit in 2013. It has also led the renewal of the Redexis Gas and Vinci Park debt, with hybrid bank loan/bond schemes.

In **Latin America**, BBVA continued to be extremely active in 2014, closing a number of deals and executing significant advice mandates, particularly in Peru and Mexico. Within the energy sector of note is the financing of the Ramones Sur gas pipeline in Mexico, as well as the finance provided for Javiera's photovoltaic plant in Chile. In infrastructures, of note have been the financing of new roads in Lima, consisting of the construction of a new urban toll road connecting the Pan-American North and South highway, as well as finance for the International Airport in Mexico.

In the **United States** BBVA has maintained its leading position in the financing of liquefied natural gas (LNG) export projects. The Bank has acted as joint lead arranger, bookrunner, co-structuring lead, documentation agent and derivative provider in the key Freeport Train 2 project, sponsored by the IMF (as financial sponsor) and Freeport. This project has received several Deal of the Year awards. In addition, worth mentioning is its role as joint lead arranger in the Cameron LNG project sponsored by Sempra Energy, GDF Suez, Mitsubishi and Mitsui.

Main Structured & Syndicated Lending transactions in 2014

Country	Client	Amount	Facility	Product	Role
Spain	GRIFOLS	5,800,000,000 EUR	Loan and credit revolving	Corporate Lending	Joint physical bookrunner/ Joint bookrunner
Germany	BAYER	14,200,000,000 USD	Acquisition facility	Corporate Lending	MLA
Portugal	edp	3,150,000,000 EUR	Credit revolving	Corporate Lending	Documentation agent/Bookrunner/MLA
Mexico	Mexichem	1,500,000,000 USD		Corporate Lending	Joint bookrunner
Peru	Cerro Verde	1,800,000,000 USD		Corporate Lending	MLA
Chile	MOLYMET	200,000,000 USD		Corporate Lending	Joint lead arranger/Bookrunner
Spain	saba aparcamientos	465,000,000 EUR		Project Finance	MLA
Turkey	STAR Oil Refinery	3,289,000,000 USD		Project Finance	MLA
Peru	RUTAS DE LIMA Concesión Vial	2,018,000,000 PEN		Project Finance	MLA/Joint bookrunner
Mexico	AICM	1,000,000,000 USD		Project Finance	MLA
Ireland	Bord Gáis Energy / Brookfield	160,000,000 EUR	Wind Portfolio Acquisition Facilities	Project Finance	MLA
The United States	FREEPORT LNG / ifm investors	4,025,000,000 USD		Project Finance	Joint lead arranger/Bookrunner /Co-structuring lead/Documentation agent/Hedge provider

Global Transaction Banking

In 2014, the Global Transaction Banking (GTB) unit has continued with its Strategic Plan focused on the development of new products and solutions for digital channels in all the lines of the transactional business and for all customer segments.

In cash management a number of **products and services** were launched with the aim of providing customers with an innovative offering in each of the geographical areas, increasing flexibility and security and the speed of online banking and mobile banking processes. Below are the main new offerings for 2014 by geographical area:

- In Spain, the launch of the new BBVA net cash platform, with notable improvements in usability; the mobile security token for access and signature of transactions; and the new foreign trade services, FX-Online, Correo Seguro (Secure Mail) and Alertas (Alerts).
- In Mexico, the FX-Online and Formato Único SIT (single-format integrated cash management system) to improve the payment service for suppliers.
- In Argentina, the new functionality for making transfers abroad.
- In Chile, electronic services for international payment orders, issue of credit cards and the supplier platform for online accounts payable financing.

In 2014 the Strategic Plan implementation has continued, mainly focused on new solutions for digital channels

- In Colombia, foreign trade and accounts payable financing solutions, implementation of improvements in leasing operations and interbank online ACH transfers.

- In Peru, the management of the e-signature and improved information on daily debits.

- In Venezuela, the implementation of SWIFT messaging and the digitizing of bulk online deposit (DEM) checks.

- In the United States, the launch of the new version of the mobile access app for iOS and Android; the International ACH service for international transfers; and the start of the marketing of Direct H2H and SWIFT channels for companies.

- Lastly, Client Trade has been integrated into BBVA net cash for London and Paris, which allows management of their Trade Finance operations (import and export remittances, guarantees and SBLCs received) through online banking.

The main **commercial operations** are as follows:

- Issue of guarantees for several major international projects (such as the consortium awarded the Riyadh Metro), the construction of Line 2 of the Metro in Lima, the Xacbal Delta hydroelectric project in Guatemala, the extension and renewal of the hospital on the Caribbean island of Aruba, the construction of a power plant in Huelva, the counter-guarantees for the construction of the Windsor-Essex Parkway project in Canada, the bid bonds for the sustainable development project of the Matanza-Riachuelo basin, the construction of the new Cuzco airport in Peru and finance for the STAR project (the largest trade finance project in the history of Turkey). In addition, there was an outstanding increase in new acquiring business thanks to the comprehensive offering of cross-border solutions, which incorporate countries such as Finland, Norway and Italy, as well as the increase in revenue from cards, tax and social insurance.

- In Mexico, finance for the steel section plant in Ciudad Sahagún, in the state of Hidalgo, and the increased acquiring, payments, collection and payroll business.

- In Argentina, BBVA has participated in the signing and payment of the largest syndicated loan for a pharmaceutical multinational.

- In Peru, guarantees for the construction of the Gasoducto Sur gas pipeline.

- In the United States, the opening of operational accounts related to the extension of the North Tarrant highway in Dallas and finance for the Sierrita project for the construction of the gas pipeline system connecting Tucson and Sasabe in Arizona.

In addition, the Single European Payment Area (SEPA) has meant a major effort in Europe, both from the technical point of view due to the necessary adaptation of internal applications and communication channels, and from a commercial perspective, as it has involved giving advice for customers to make it easier for them to adapt to the new standards. BBVA has addressed this process satisfactorily, winning market share in transfers and debits.

In **prizes and awards**, *Trade Finance Magazine* named the Minera Chinalco agreement "Deal of the Year"; *Global Trade Review* named the coordination in the operation with Cambambe Hydroelectric "Best Deal". The unit also received the title of "Best Sub-Custodian in Spain" in the World's Best Sub-Custodian Banks 2014 Survey, and a prize at the World's Best Internet Bank Awards in Latin America in 2014 in Colombia (regional category of "Best Information Security Initiatives") granted by *Global Finance*. Lastly, the magazine *Euromoney* granted BBVA the award for "Best Cash Management Provider" in Venezuela, Colombia and Peru.

Main Global Trade Finance operations in 2014

Spain Navantia Bond 127,600,000 EUR CESCE 3.5 years 31,900,000 EUR Global Transaction Banking MLA	Spain FCC Bond 19,716,147 GBP CESCE 4.75 years Global Transaction Banking MLA	Spain FCC Bond 154,464 USD CESCE 1 year Global Transaction Banking MLA	Spain Mercasa Bond 21,834,696 USD CESCE 2.5 years 10,917,348 USD Global Transaction Banking MLA
Spain aplica Bond 1,077,871 EUR CESCE 2 years Global Transaction Banking MLA	Turkey ZT Enerji Buyer Credit 21,056,288 EUR CESCE 8.25 years Global Transaction Banking MLA	Angola Buyer Credit 123,957,868 USD CESCE 10.5 years 24,791,574 USD Global Transaction Banking MLA	Ecuador Buyer Credit 116,703,000 USD CESCE 9 years 38,897,110 USD Global Transaction Banking MLA
Argentina Petropack Buyer Credit 1,185,750 EUR CESCE 7.5 years Global Transaction Banking MLA	Mexico CFE Buyer Credit 324,568 USD CESCE 5 years 31,900,000 EUR Global Transaction Banking MLA	Mexico Buyer Credit 630,870 EUR CESCE 5.5 years Global Transaction Banking MLA	Spain FCC Bond 18,227,755 GBP CESCE 1 year Global Transaction Banking MLA
Turkey STAR SOCAR Turkey Aegean Refinery ECA Project 3,290,000,000 USD CESCE SACE 18 years 162,255,000 USD Global Transaction Banking Cesce agente/MLA	Spain Vicrila Buyer Credit 4,927,280 EUR Euler Hermes 5 years Global Transaction Banking MLA	Brazil Galvani Forfaiting ECA 21,000,000 USD Euler Hermes 360 days Global Transaction Banking MLA	Colombia Puerto de Mamonal S.A. Buyer Credit 11,100,000 USD Delcredere Ducroire 7 years Global Transaction Banking Arranger & bookrunner
Spain FCC Bond 175,997,921 USD CESCE 2.3 years 33,555,135 USD Global Transaction Banking MLA	Angola Commercial Loan 9,600,000 USD 5.5 years Global Transaction Banking MLA	Spain INERCO Bond 3,470,400 EUR CESCE 2.75 years Global Transaction Banking MLA	Spain acciona Export Prefinancing 15,000,000 USD CESCE 1.5 years Global Transaction Banking MLA
Spain FCC Bond 450,000,000 USD CESCE 1 year 150,000,000 USD Global Transaction Banking MLA			

Global Markets

BBVA leads the debt markets and, in Spain, the equity brokerage activity

Thanks to its customer-centric business model, geographical diversification and firm commitment to risk control, Global Markets has maintained the positive trend in **gross income**, which over the year has grown by 3.5% to €1,166m. There was an outstanding performance by the institutional segment (up 13% year-on-year) and the equity business at global level (up 12% year-on-year).

By **geographical areas**, customer revenue in Europe has grown year-on-year by 2%, strongly supported by the institutional segment (up 19%) and the equity business (up 13%), as well as by the recovery of the interest-rate business (up 10%). The trend in gross income has also been excellent in the United States (up 11.1% year-on-year) and Mexico (up 15.9% year-on-year), both boosted by the fixed-income and foreign-currency businesses.

BBVA has led the **debt markets** in 2014 and as a result renewed its award from *Euromoney* as "Best Debt House in Spain". As global coordinator, it has worked in operations such as the placement of hybrid subordinated debt for Telefónica, and the Almirall bond issue with the lowest coupon ever (4.62%) for a high-yield entity. In the public sector, BBVA has also acted as bookrunner in the biggest issue ever by the Spanish Treasury, at a nominal €10 billion, and two syndicated issues by the ICO, maintaining its leading position as a result. It has also acted as bookrunner in the issue of 12-year bonds by Repsol for €500m, and in issues by the French highway group APRR (Autoroutes Paris-Rhin-Rhône) for a nominal €1.4 billion.

In **Spain**, BBVA continues to lead equity brokerage activity on the Spanish stock market, with a market share of 13.8% at the close of the fourth quarter of 2014.

In **Mexico**, BBVA Bancomer has once more topped the ranking of local-currency issues.

As a result of this excellent performance, in 2014 BBVA was named "Best Bank in Interest-Rate and Currency Derivatives in Spain" and "Best Research Service" by the prestigious *Risk Magazine*. In addition, *Global Finance* has named BBVA CIB "Best Investment Bank in Spain", and Euromoney has chosen BBVA Bancomer as "Best Investment Bank in Mexico".

Main Deb Capital Markets transactions in 2014

Spain	1.000,000,000 EUR	50 years	Debt Capital Markets	Joint bookrunner
Luxembourg	300,000,000 EUR	Floating rate note 7 years	Debt Capital Markets	Bookrunner
Spain	1,250,000,000 EUR	2 years	Debt Capital Markets	Bookrunner
Spain	500,000,000 EUR	3 years senior	Debt Capital Markets	Joint-lead manager
Switzerland	2,000,000,000 EUR	Tier 2 Coco 10 years	Debt Capital Markets	Bookrunner
France	1,000,000,000 EUR	Floating rate note 2 years	Debt Capital Markets	Bookrunner
France	700,000,000 EUR & 700,000,000 EUR	Long 6 & long 10 years	Debt Capital Markets	Bookrunner
Spain	325,000,000 EUR	7NC 3 years	Debt Capital Markets	Bookrunner
The United Kingdom	1,500,000,000 EUR	4 & 9 years	Debt Capital Markets	Bookrunner
The United States	2,500,000,000 USD	3/10/30 years	Debt Capital Markets	Joint bookrunner
The United States	700,000,000 USD	8 years	Debt Capital Markets	Joint bookrunner
The United States	1,200,000,000 USD	5 & 10 years	Debt Capital Markets	Joint bookrunner
Mexico	2,000,000,000 EUR	7 & 15 years	Debt Capital Markets	Joint bookrunner
Mexico	1,000,000,000 USD	10 & 30 years	Debt Capital Markets	Joint bookrunner
Mexico	6,400,000,000 MXN	30 years	Debt Capital Markets	Structuring agent & sole bookrunner
Peru	500,000,000 USD	40 years	Debt Capital Markets	Joint bookrunner

Supplementary information

Consolidated time series

Income statements

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)							
	2014	2013	2012	2011	2010	2009	2008	2007
Net interest income	14,382	13,900	14,474	12,724	13,316	13,882	11,686	9,628
Gross income/ordinary revenues	20,725	20,752	21,824	19,640	20,333	20,666	18,978	17,271
Operating income/operating profit	10,166	9,956	11,450	10,196	11,573	12,308	10,523	9,441
Income before tax	3,980	954	1,582	3,398	6,059	5,736	6,926	8,495
Net income	3,082	2,836	2,327	3,485	4,995	4,595	5,385	6,415
Net attributable profit	2,618	2,084	1,676	3,004	4,606	4,210	5,020	6,126

Balance sheet

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)							
	31-12-14	31-12-13	31-12-12	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07
Loans and advances to customers	338,657	323,607	342,163	342,543	338,857	323,441	335,260	313,178
Total assets	631,942	582,697	621,132	582,838	552,738	535,065	542,650	501,726
Total customer funds	417,391	398,973	373,723	357,683	421,977	389,815	372,715	369,177
Deposits from customers	319,060	300,490	282,795	272,402	275,789	254,183	255,236	219,609
Other customer funds (1)	98,331	98,483	90,928	85,281	146,188	135,632	117,479	148,532
Debt certificates	58,096	64,120	86,255	81,124	99,939	99,939	104,157	102,247
Subordinated liabilities	14,095	10,556	11,815	15,303	17,878	17,878	16,987	15,662

Additional information

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)							
	31-12-14	31-12-13	31-12-12	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07
Number of shareholders (thousands)	960	974	1,013	987	953	884	904	890
Number of shares (millions) (2)	6,171	5,786	5,449	4,903	4,491	3,748	3,748	3,748
Number of employees (3-4)	108,770	109,305	115,852	110,645	106,976	103,721	108,972	111,913
Spain (3)	28,620	30,376	31,697	28,934	28,416	27,936	29,070	31,106
Abroad (4)	80,150	78,929	84,155	81,711	78,560	75,785	79,902	80,807
Number of branches (3-4)	7,371	7,420	7,978	7,457	7,361	7,466	7,787	8,028
Spain (3)	3,112	3,230	3,518	3,016	3,024	3,055	3,375	3,595
Abroad (4)	4,259	4,190	4,460	4,441	4,337	4,411	4,412	4,433

General note: BBVA Group's financial statements for the years 2014, 2013 and 2012 and 2011 show the Garanti Group figures consolidated using the equity method. The figures related to the income Guarantee Fund.

(1) The years 2013, 2012 and 2011 exclude the assets under management by pension fund administrators in Chile, Mexico, Colombia and Peru and pension and mutual funds from Garanti Group.
(2) The data for the year 1999 were re-calculated based on the share exchange ratio 5 BBV shares for 3 Argentaria shares.
(3) Including Unnim since 2012
(4) Excluding Garanti.

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991				
2008	2007	2006	2005	2004	2004	2003	2002	2001	2000
11,891	9,769	8,374	7,208	6,160	7,069	6,741	7,808	8,824	6,995
19,853	18,133	15,701	13,024	11,120	11,053	10,656	12,241	13,352	11,143
11,279	10,544	8,883	6,823	5,591	5,440	4,895	5,577	5,599	4,376
6,926	8,495	7,030	5,592	4,137	4,149	3,812	3,119	3,634	3,876
5,385	6,415	4,971	4,071	3,108	3,192	2,897	2,466	3,009	2,914
5,020	6,126	4,736	3,806	2,923	2,802	2,227	1,719	2,363	2,232

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991				
31-12-08	31-12-07	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00
333,029	310,882	256,565	216,850	172,083	170,248	148,827	141,315	150,220	137,467
543,513	502,204	411,916	392,389	329,441	311,072	287,150	279,542	309,246	296,145
493,324	485,621	425,709	401,907	329,254	321,038	295,906	289,385	323,982	304,549
267,140	236,183	192,374	182,635	149,892	147,051	141,049	146,560	166,499	154,146
119,017	150,777	142,064	142,707	121,553	121,553	113,074	108,815	124,496	118,831
90,180	82,999	77,674	62,842	45,482	44,326	34,383	27,523	25,376	26,460
16,987	15,662	13,597	13,723	12,327	8,108	7,400	6,487	7,611	5,112

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991				
31-12-08	31-12-07	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00
904	890	864	985	1,081	1,081	1,159	1,179	1,204	1,300
3,748	3,748	3,552	3,391	3,391	3,391	3,196	3,196	3,196	3,196
108,972	111,913	98,553	94,681	87,112	84,117	86,197	93,093	98,588	108,082
29,070	31,106	30,582	31,154	31,056	30,765	31,095	31,737	31,686	33,733
79,902	80,807	67,971	63,527	56,056	53,352	55,102	61,356	66,902	74,349
7,787	8,028	7,499	7,328	6,751	6,848	6,924	7,504	7,988	8,946
3,375	3,595	3,635	3,578	3,385	3,375	3,371	3,414	3,620	3,864
4,412	4,433	3,864	3,750	3,366	3,473	3,553	4,090	4,368	5,082

statement, balance sheet and activity of the Group for 2013 and the asset for 2012 have been restated following the change made in accounting policy relating to contributions to the Deposit

BBVA

adelante.