BBVA Creating Opportunities

Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report corresponding to the three month period ended March 31, 2018

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

Report on Limited Review on the Condensed Interim Consolidated Financial Statements

To the Shareholders of Banco Bilbao Vizcaya Argentaria, S.A.
at the request of its Board of Directors

Report on the condensed interim consolidated financial statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (the "interim financial statements") of Banco Bilbao Vizcaya Argentaria, S.A. (the "Bank") and subsidiaries composing, together with the Bank, the Banco Bilbao Vizcaya Argentaria Group (the "Group"), which comprise the condensed interim consolidated balance sheet as of March 31, 2018, the condensed interim consolidated income statement, the interim consolidated statement of recognized income and expense, the interim consolidated statement of changes in equity, the condensed interim consolidated statement of cash flows and the accompanying notes to the interim financial statements corresponding to the three-month period between January 1 and March 31, 2018. Pursuant to article 12 of Royal Decree 1362/2007, the Directors of the Bank are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with regulatory standards applicable for the audit of financial statement accounts in Spain, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

KPMG Auditores, S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Conclusion

Based on our limited review, which cannot be considered an audit under any circumstances, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as of March 31, 2018 and corresponding to the three-month period between January 1 and March 31, 2018, have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw your attention to the accompanying Note 1, which states that these interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts as of and for the year ended December 31, 2017. This matter does not modify our conclusion.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated management report contains explanations that the Directors of the Bank consider relevant with respect to significant events that have occurred during this period and their impact on the accompanying interim financial statements, as well as the information required by article 15 of Royal Decree 1362/2007. The said management report is not part of the interim financial statements. We have verified that the accounting information contained therein is consistent with the interim financial statements as of March 31, 2018 and corresponding to the three-month period between January 1 and March 31, 2018. Our work is limited to the verification of the consolidated interim management report within the scope described in this paragraph and does not include a review of information other than that derived from the accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the Bank's Board of Directors in relation to the publication of the quarterly financial report voluntarily prepared under the framework of article 120 of Legislative Royal Decree 4/2015 of October 23, 2015, which approves the Revised Securities Market Law enacted by Royal Decree 1362/2007 of October 19, 2007.

KPMG Auditores, S.L.

Luis Martín

Luis Martín Riaño

May 11, 2018

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

Año 2018 Nº 01/18/01516
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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE ACCOMPANYING CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED MANAGEMENT REPORT

BBVA Group

Condensed Interim Consolidated balance sheets as of March 31, 2018 and December 31, 2017

Condensed Interim Consolidated balance sheets (Millions of Euros)	Notes	March 2018 IFRS 9	December 2017 IAS 39 (*)
Cash, cash balances at central banks and other demand deposits	8	43,167	42,680
Financial assets held for trading	9	94,745	64,695
Non-trading financial assets mandatorily at fair value through profit or loss	10	4,360	
Financial assets designated at fair value through profit or loss	11	1,330	2,709
Financial assets at fair value through other comprehensive income	12	59,212	69,476
Financial assets at amortized cost	13	417,646	445,275
Hedging derivatives		2,820	2,485
Fair value changes of the hedged items in portfolio hedges of interest rate risk		(34)	(25)
Joint ventures, associates and unconsolidated subsidiaries	14	1,395	1,588
Insurance and reinsurance assets		425	421
Tangible assets	15	6,948	7,191
Intangible assets	16	8,199	8,464
Tax assets	17	17,103	16,888
Other assets	18	4,654	4,359
Non-current assets and disposal groups held for sale	19	23,471	23,853
TOTAL ASSETS	**5**	**685,441**	**690,059**

	Notes	March 2018 IFRS 9	December 2017 IAS 39 (*)
Financial liabilities held for trading	9	86,767	46,182
Financial liabilities designated at fair value through profit or loss	11	6,075	2,222
Financial liabilities at amortized cost	20	497,298	543,713
Hedging derivatives		2,434	2,880
Fair value changes of the hedged items in portfolio hedges of interest rate risk		-	(7)
Liabilities under insurance and reinsurance contracts	21	9,624	9,223
Provisions	22	7,223	7,477
Tax liabilities	17	3,710	3,298
Other liabilities	18	3,647	4,550
Liabilities included in disposal groups classified as held for sale		16,840	17,197
TOTAL LIABILITIES		**633,618**	**636,736**
SHAREHOLDERS' FUNDS		54,432	55,136
Capital	24	3,267	3,267
Share premium		23,992	23,992
Equity instruments issued other than capital		-	-
Other equity		59	54
Retained earnings	25	26,078	25,474
Revaluation reserves	25	11	12
Other reserves	25	(47)	(44)
Less: Treasury shares		(184)	(96)
Profit or loss attributable to owners of the parent	5	1,340	3,519
Less: Interim dividends		(85)	(1,043)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	26	(9,201)	(8,792)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	27	6,592	6,979
TOTAL EQUITY		**51,823**	**53,323**
TOTAL EQUITY AND TOTAL LIABILITIES		**685,441**	**690,059**

MEMORANDUM: OFF BALANCE SHEET EXPOSURES	Notes	March 2018 IFRS 9	December 2017 IAS 39 (*)
Loan commitments given	28	118,635	111,379
Financial guarantees given	28	47,519	47,668
Contingent commitments given	28	6,177	14,613

(*) Figures of the consolidated Annual Accounts, under IAS 39, which presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes 1 to 44 and Appendices I and II are an integral part of the condensed interim consolidated financial statements as of and for the three months period ended March 31, 2018.

BBVA Group

Condensed Interim Consolidated income statements for the three months ended March 31, 2018 and 2017

Condensed Interim Consolidated income statements (Millions of Euros)	Notes	March 2018 IFRS 9	March 2017 IAS 39 (*)
Interest income and other similar income	30.1	7,199	6,986
Interest expense	30.2	(2,911)	(2,663)
NET INTEREST INCOME	**5**	**4,288**	**4,322**
Dividend income	31	12	43
Share of profit or loss of entities accounted for using the equity method	32	8	(5)
Fee and commission income	33	1,771	1,755
Fee and commission expense	33	(535)	(532)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	34	78	520
Gains (losses) on financial assets and liabilities held for trading, net	34	464	179
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	34	(3)	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	34	41	(61)
Gains (losses) from hedge accounting, net	34	17	(141)
Exchange differences, net	34	(186)	194
Other operating income	35	349	262
Other operating expense	35	(461)	(426)
Income from insurance and reinsurance contracts	36	832	1,001
Expense from insurance and reinsurance contracts	36	(578)	(729)
GROSS INCOME	**5**	**6,096**	**6,383**
Administration costs	37	(2,672)	(2,783)
Depreciation and amortization	38	(307)	(354)
Provisions or reversal of provisions	39	(99)	(170)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	40	(823)	(945)
NET OPERATING INCOME		**2,195**	**2,131**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates		-	-
Impairment or reversal of impairment on non-financial assets	41	8	(52)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	42	10	(2)
Negative goodwill recognized in profit or loss		-	-
Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	43	24	(12)
OPERATING PROFIT BEFORE TAX	**5**	**2,237**	**2,065**
Tax expense or income related to profit or loss from continuing operations		(611)	(573)
PROFIT FROM CONTINUING OPERATIONS		**1,626**	**1,492**
Profit from discontinued operations, net		-	-
PROFIT		**1,626**	**1,492**
Attributable to minority interest [non-controlling interests]	27	286	293
Attributable to owners of the parent	5	1,340	1,199

Earnings per share (Euros)	Notes	March 2018 IFRS 9	March 2017 IAS 39 (*)
EARNINGS PER SHARE		**0.19**	**0.17**
Basic earnings per share from continued operations		0.19	0.17
Diluted earnings per share from continued operations		0.19	0.17
Basic earnings per share from discontinued operations		-	-
Diluted earnings per share from discontinued operations		-	-

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendices I and II are an integral part of the condensed interim consolidated financial statements as of and for the three month period ended March 31, 2018.

BBVA Group

Interim Consolidated statements of recognized income and expenses for the three months ended March 31, 2018 and 2017

Interim Consolidated Statements of recognized income and expenses (Millions of euros)	March 2018 IFRS 9	March 2017 IAS 39 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**1,626**	**1,492**
OTHER RECOGNIZED INCOME (EXPENSES)	**(716)**	**366**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(39)**	**(31)**
Actuarial gains and losses from defined benefit pension plans	(37)	(41)
Non-current assets available for sale	-	-
Share of other recognized income and expense of entities accounted for using the equity method	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	2	-
Gains or losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	14	-
Income tax related to items not subject to reclassification to income statement	(18)	10
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(677)**	**397**
Hedge of net investments in foreign operations [effective portion]	**(130)**	**(330)**
Valuation gains or (losses) taken to equity	(181)	(330)
Transferred to profit or loss	-	-
Other reclassifications	52	-
Foreign currency translation	**(721)**	**422**
Valuation gains or (losses) taken to equity	(628)	421
Transferred to profit or loss	-	1
Other reclassifications	(93)	-
Cash flow hedges [effective portion]	**21**	**(42)**
Valuation gains or (losses) taken to equity	15	(57)
Transferred to profit or loss	5	15
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments	**-**	**-**
Valuation gains or (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Available-for-sale financial assets	**145**	**263**
Valuation gains or (losses) taken to equity	210	765
Transferred to profit or loss	(66)	(502)
Other reclassifications	-	-
Non-current assets held for sale	**40**	**-**
Valuation gains or (losses) taken to equity	(2)	-
Transferred to profit or loss	-	-
Other reclassifications	42	-
Entities accounted for using the equity method	**2**	**2**
Income tax	**(32)**	**82**
TOTAL RECOGNIZED INCOME/EXPENSES	**910**	**1,858**
Attributable to minority interest [non-controlling interests]	(118)	345
Attributable to the parent company	1,028	1,513

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendices I and II are an integral part of the condensed interim consolidated financial statements as of and for the three month period ended March 31, 2018.

BBVA Group

Interim Consolidated statements of changes in equity for the three months ended March 31, 2018

Interim Consolidated statements of changes in equity (Millions of Euros)

												Non-controlling interest		
March 2018	**Capital (Note 24)**	**Share Premium**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings (Note 25)**	**Revaluation reserves (Note 25)**	**Other reserves (Note 25)**	**(-) Treasury shares**	**Profit or loss attributable to owners of the parent**	**Interim dividends (Note 4)**	**Accumulated other comprehensive income (Note 26)**	**Valuation adjustments (Note 27)**	**Rest (Note 27)**	**Total**
Balances as of December 31, 2017	**3,267**	**23,992**	**-**	**54**	**25,474**	**12**	**(44)**	**(96)**	**3,519**	**(1,043)**	**(8,792)**	**(3,378)**	**10,358**	**53,323**
First implementation adjustments of IFRS 9	-	-	-	-	(851)	-	-	-	-	-	(96)	22	6	(919)
Balances as of January 1, 2018	**3,267**	**23,992**	**-**	**54**	**24,623**	**12**	**(44)**	**(96)**	**3,519**	**(1,043)**	**(8,889)**	**(3,356)**	**10,364**	**52,404**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,340**	**-**	**(312)**	**(404)**	**286**	**910**
Other changes in equity	**-**	**-**	**-**	**5**	**1,454**	**(1)**	**(4)**	**(88)**	**(3,519)**	**959**	**-**	**-**	**(298)**	**(1,491)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(994)	-	(3)	-	-	(85)	-	-	(306)	(1,387)
Purchase of treasury shares	-	-	-	-	-	-	-	(443)	-	-	-	-	-	(443)
Sale or cancellation of treasury shares	-	-	-	-	(10)	-	-	355	-	-	-	-	-	345
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	2,478	(1)	(1)	-	(3,519)	1,043	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(1)	-	-	-	-	-	-	-	-	-	(1)
Other increases or (-) decreases in equity	-	-	-	6	(20)	-	-	-	-	-	-	-	8	(6)
Balances as of March 31, 2018	**3,267**	**23,992**	**-**	**59**	**26,078**	**11**	**(47)**	**(184)**	**1,340**	**(85)**	**(9,201)**	**(3,760)**	**10,352**	**51,823**

The accompanying Notes 1 to 44 and Appendices I and II are an integral part of the condensed interim consolidated financial statements as of and for the three month period ended March 31, 2018.

Interim Consolidated statements of changes in equity for the three months ended March 31, 2017

Interim Consolidated statements of changes in equity (Millions of Euros)

												Non-controlling interest		
March 2017 (*)	**Capital (Note 24)**	**Share Premium**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings (Note 25)**	**Revaluation reserves (Note 25)**	**Other reserves (Note 25)**	**(-) Treasury shares**	**Profit or loss attributable to owners of the parent**	**Interim dividends (Note 4)**	**Accumulated other comprehensive income (Note 26)**	**Valuation adjustments (Note 27)**	**Rest (Note 27)**	**Total**
Balances as of January 1, 2017	**3,218**	**23,992**	**-**	**54**	**23,688**	**20**	**(67)**	**(48)**	**3,475**	**(1,510)**	**(5,458)**	**(2,246)**	**10,310**	**55,428**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,199**	**-**	**314**	**53**	**293**	**1,859**
Other changes in equity	**-**	**-**	**-**	**(19)**	**2,030**	**(4)**	**32**	**26**	**(3,475)**	**577**	**-**	**-**	**(1,536)**	**(2,368)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	8	-	(8)	-	-	(933)	-	-	(294)	(1,228)
Purchase of treasury shares	-	-	-	-	-	-	-	(577)	-	-	-	-	-	(577)
Sale or cancellation of treasury shares	-	-	-	-	(4)	-	-	603	-	-	-	-	-	599
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,927	(4)	41	-	(3,475)	1,510	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(26)	-	-	-	-	-	-	-	-	-	(26)
Other increases or (-) decreases in equity	-	-	-	7	99	-	(1)	-	-	-	-	-	(1,242)	(1,137)
Balances as of March 31, 2017	**3,218**	**23,992**	**-**	**35**	**25,718**	**17**	**(35)**	**(22)**	**1,199**	**(933)**	**(5,144)**	**(2,193)**	**9,066**	**54,918**

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendices I and II are an integral part of the condensed interim consolidated financial statements as of and for the three month period ended March 31, 2018.

BBVA Group

Condensed Interim Consolidated statements of cash flows for the three months ended March 31, 2018 and 2017

Condensed Interim Consolidated statements of cash flows (Millions of euros)

	March 2018 IFRS 9	March 2017 IAS 39 (*)
CASH FLOW FROM OPERATING ACTIVITIES (1)	**1,070**	**(6,613)**
Profit for the period	**1,626**	**1,492**
Adjustments to obtain the cash flow from operating activities:	**2,028**	**1,400**
Depreciation and amortization	307	354
Other adjustments	1,721	1,046
Net increase/decrease in operating assets/liabilities	**(2,599)**	**(8,932)**
Financial assets/liabilities held for trading	3,202	(2,371)
Other financial assets/liabilities designated at fair value through profit or loss	269	(28)
Available-for-sale financial assets	1,614	1,111
Loans and receivables / Financial liabilities at amortized cost	(5,900)	(7,596)
Other operating assets/liabilities	(1,784)	(48)
Collection/Payments for income tax	**15**	**(573)**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	**40**	**278**
Tangible assets	(167)	(55)
Intangible assets	(217)	(41)
Investments	10	(41)
Subsidiaries and other business units	(5)	(847)
Non-current assets/liabilities held for sale	56	-
Held-to-maturity investments	169	665
Other settlements/collections related to investing activities	194	597
CASH FLOWS FROM FINANCING ACTIVITIES (3)	**(35)**	**(903)**
Dividends	(121)	(629)
Subordinated liabilities	494	-
Common stock amortization/increase	-	-
Treasury stock acquisition/disposal	(102)	20
Other items relating to financing activities	(306)	(294)
EFFECT OF EXCHANGE RATE CHANGES (4)	**(879)**	**34**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**196**	**(7,205)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**45,549**	**44,957**
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**45,745**	**37,751**

	March 2018 IFRS 9	March 2017 IAS 39 (*)
Cash	5,848	6,464
Balance of cash equivalent in central banks	39,897	31,287
Other financial assets	-	-
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**45,745**	**37,751**

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendices I and II are an integral part of the condensed interim consolidated financial statements as of and for the three month period ended March 31, 2018.

Notes to the condensed interim consolidated financial statements as of and for the three month period ended March 31, 2018

1. Introduction, basis for the presentation of the condensed interim consolidated financial statements and other information

1.1 Introduction

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

The Bylaws and other public information are available for inspection at the Bank's registered address (Plaza San Nicolás, 4 Bilbao) and 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 associated entities which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, "the Group" or "the BBVA Group"). In addition to its own separate financial statements, the Bank is therefore required to prepare consolidated financial statements comprising all consolidated subsidiaries of the Group.

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2017 were approved by the shareholders at the Annual General Meeting ("AGM") on March 16, 2018.

1.2 Basis for the presentation of the condensed interim consolidated financial statements

The BBVA Group's condensed interim consolidated financial statements (hereinafter, the "consolidated financial statements") are presented in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and have been presented to the Board of Directors at its meeting held on April 26, 2018. In accordance with IAS 34, the interim financial information is prepared solely for the purpose of updating the last Annual Consolidated Financial Statements, focusing on new activities, events and circumstances that occurred during the period without duplicating the information previously published in those financial statements.

Therefore, the accompanying consolidated financial statements do not include all information required by a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS"), consequently for an appropriate understanding of the information included in them, they should be read together with the consolidated financial statements of the Group as of and for the year ended December 31, 2017.

The aforementioned consolidated financial statements were presented in accordance with the EU-IFRS applicable as of December 31 2017 respectively, pursuant to Bank of Spain Circular 4/2004 (and as amended thereafter), and any other legislation governing financial reporting applicable to the Group in Spain.

The accompanying consolidated financial statements were prepared applying principles of consolidation, accounting policies and valuation criteria, which, as described in Note 2, are the same as those applied in the consolidated financial statements of the Group as of and for the year ended December 31, 2017, taking into consideration the new Standards and Interpretations that became effective on January 1, 2018 (see Note 2.1), so that they present fairly the Group's consolidated equity and financial position as of March 31, 2018, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the three months ended March 31, 2018.

The consolidated financial statements and explanatory notes were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. They include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the entities in the Group.

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

The amounts reflected in the accompanying consolidated financial statements are presented in millions of euros, unless it is more appropriate to use smaller units. Some items that appear without a balance in these consolidated financial statements are due to the size of the units used. 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.

When determining the information to disclose about various items of the financial statements, the Group, in accordance with IAS 34, has taken into account their materiality in relation to the consolidated financial statements.

1.3 Comparative information

The information included in the accompanying consolidated financial statements and the explanatory notes relating to December 31, 2017 and March 31, 2017 that was prepared with the standards for the year 2017 is presented for the purpose of comparison with the information for March 31, 2018. The impacts of the first application of IFRS 9 are presented in Appendix II.

As of January 1, 2018, IFRS 9 "Financial instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" and includes changes in the requirements for the classification and valuation of financial assets and financial liabilities, the impairment of financial assets and hedge accounting (see Note 2.1). The impact of the first application of IFRS 9 is presented in Appendix II.

In the first three months of 2018, there were no significant changes to the existing structure of the BBVA Group's operating segments in comparison to 2017 (see Note 5).

1.4 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 are required to be made when preparing these consolidated financial statements in order to determine the recorded amount of some assets, liabilities, income, expenses and commitments. These estimates relate mainly to the following:

- Impairment of certain financial assets (see Notes 6, 12, 13 and 14).
- The assumptions used to quantify certain provisions and for the actuarial calculation of post-employment benefit liabilities and commitments (see Notes 22 and 23).
- The useful life and impairment losses of tangible and intangible assets (see Notes 15 and 16).
- The valuation of goodwill and purchase price allocation of business combinations (see Note 16).
- The fair value of certain unlisted financial assets and liabilities (see Note 7).
- The recoverability of deferred tax assets (see Note 17).
- The exchange rate and the inflation rate of Venezuela.

Although these estimates were made on the basis of the best information available as of March 31, 2018 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 the applicable standards, recognizing the effects of changes in the estimates in the corresponding consolidated income statement.

During the three months ended March 31, 2018 there were no significant changes to the assumptions made as of December 31, 2017, except as indicated in these consolidated financial statements.

1.5 Related-party transactions

The information related to these transactions is presented in Note 53 of the Consolidated Financial Statements of the Group for the year ended December 31, 2017.

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. None of these transactions are considered significant and are carried out under normal market conditions.

1.6 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 4/2017 of the Bank of Spain) and following other regulatory requirements of financial information applicable to the Bank.

As of January 1, 2018, Circular 4/2017 issued by the Bank of Spain on public and reserved financial information standards, and financial statement models entered into force for credit institutions. The purpose of this circular is to adapt the Spanish credit institutions accounting system to changes in the European accounting system resulting from the adoption of two new International Financial Reporting Standards (IFRS), specifically "IFRS 15 - Revenue from contracts with customers "and" IFRS 9 - Financial instruments ".

Appendix I shows BBVA's financial statements together with the impact of the first application of Circular 4/2017 as of and for the three-months ended March 31, 2018.

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

The accounting policies and methods applied for the preparation of the accompanying consolidated financial statements do not differ significantly to those applied in the Consolidated Financial Statements of the Group for the year ended December 31, 2017 (Note 2), except for the application of IFRS 9, basically.

2.1 Standards and interpretations that became effective in the first three months of 2018

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective after January 1, 2018. They have had an impact on the BBVA Group's consolidated financial statements corresponding to the period ended March 31, 2018.

IFRS 9 - "Financial instruments"

IFRS 9 replaced IAS 39 for financial statements from January 1, 2018 onwards and includes new classification and measurement requirements for financial assets and liabilities, impairment requirements for financial assets and hedge accounting policy.

The application of this standard on January 1, 2018, has had a significant impact on the consolidated financial statements of the Group at that date. The first application is detailed in Annex II (see Note 1.3).

The main requirements of IFRS 9 are:

- **Classification and measurement of financial instruments**

Financial assets

IFRS 9 has a new approach to classification and measurement of financial assets which is a mirror of the business model used for asset management purposes and its cash flow characteristics.

IFRS 9 contains three main categories for financial assets classification: valued at amortized cost, valued at fair value with changes in other accumulated comprehensive income, and valued at fair value through profit or loss. The standard eliminates the existing IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

The classification of financial instruments measured at amortized cost or fair value must be carried out on the basis of: the entity's business model and the assessment of the contractual cash flow, commonly known as the "solely payments of principle and interest" criterion (hereinafter, the SPPI). The purpose of the SPPI test is to determine whether in accordance with the contractual characteristics of the instrument its cash flows only represent the return of the principal and interest, basically understood as consideration for the time value of money and the debtor's credit risk.

A financial instrument will be classified in the amortized cost portfolio when it is managed with a business model whose purpose is to maintain the financial assets to receive contractual cash flows, and passes the SPPI test. They will be classified in the portfolio of financial assets at fair value with changes in other comprehensive income if they are managed with a business model whose purpose combines collection of the contractual cash flows and sale of the assets, and meets the SPPI test. They will be classified at fair value with changes in profit and loss provided that the entity's business model for their management or the contractual characteristics of its cash flows do not require classification into one of the portfolios described above.

During 2017, the Group reviewed the existing business models in the geographic areas where it operates to establish classification in accordance with IFRS 9, taking into account the special characteristics of the local structures and organizations, as well as the type of products.

The Group has defined criteria to determine the acceptable frequency and reasons for sales so that the instrument can remain in the category of held to collect contractual cash flows.

Regardless of the frequency and importance of the sales, some types of sales are not incompatible with the category of held to collect contractual flows: sales due to reduction in credit quality; sales close to the maturity of transactions so that variations in market prices will not have a significant effect on the cash flows of the financial asset; sales in response to a change in regulations or in taxation; sales in response to an internal restructuring or significant business combination; sales derived from the execution of a liquidity crisis plan when the crisis event is not reasonably foreseeable.

The Group has segmented the portfolio of instruments for carrying out the SPPI test by differentiating products with standard contracts (all the instruments have identical contractual characteristics and are broadly used), for which the Group has carried out the SPPI test by reviewing the standard framework contract. For those products with similar, but not identical characteristics compliance has been assessed through a sampling exercise of contracts. All the financial instruments with specific contractual characteristics have been analyzed individually.

As a result of the analyses carried out on both the business model and the contractual characteristics, certain accounting reclassifications resulted affecting both financial assets and, as the case may be, financial liabilities related to those assets. In general, there is a greater volume of assets valued at fair value with changes in the income statement and the valuation method of some instruments has also been changed according to the one that best reflects the business model to which they belong. Changes in the valuation model to avoid exceeding the criterion of solely payment of principal and interest are not significant.

As of December 31, 2017, the Group had certain investments in asset instruments classified as available-for-sale which, in accordance with IFRS 9, the Group has designated as financial assets at fair value through changes in accumulated other comprehensive income. As a result, all the gains and losses at fair value of these instruments is now reported in other cumulative comprehensive income. Impairment losses would not be recognized to profit and loss, and gains or losses would not be reclassified to the income statement in the case of divestment. The remaining investments held by the Group as of December 31, 2017 in equity instruments classified as available-for-sale are now accounted for as fair value through changes in profit or loss.

Financial liabilities

IFRS 9 largely maintains the requirements under IAS 39 for classifying financial liabilities. Thus, save for the above mentioned changes derived from the business model allocation of assets associated with them, the classification of financial liabilities in accordance with IAS 39 has not be changed. However, a new aspect introduced by IFRS 9 is the recognition of changes in the fair value of the financial liabilities to which the fair value option is applied. In this case, the changes in the fair value attributable the credit risk itself are recognized as other comprehensive income, while the rest of the variation are recognized in the income statement. In any case, the variation of credit risk itself may be recognized in the income statement if the treatment described above generates accounting asymmetry.

Financial assets impairments

IFRS 9 replaced the "incurred loss" model in IAS 39 with one of "expected credit loss". The IFRS 9 impairment model is applied to financial assets valued at amortized cost and to financial assets valued at fair value with changes in accumulated other comprehensive income, except for investments in equity instruments; and contracts for financial guarantees and loan commitments unilaterally revocable by BBVA. Likewise, all the financial instruments valued at fair value with change through profit and loss are excluded from the impairment model.

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

The calculation of the provisions for credit risk in each of these three categories must be done differently. In this way, expected loss up to 12 months for the operations classified in the first of the aforementioned categories must be recorded, while expected losses estimated for the remaining life of the operations classified in the other two categories must be recorded. Thus, IFRS 9 differentiates between the following concepts of expected loss:

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

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

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

The BBVA Group has applied the following definitions in accordance with IFRS 9:

Default

BBVA has applied a definition of default for financial instruments that is consistent with that used in internal credit risk management, as well as the indicators under applicable regulation at the date of entry into force of IFRS 9. Both qualitative and quantitative indicators have been considered.

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

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

In accordance with IFRS 9, the 90-day past-due stipulation may be waived in cases where the entity considers it appropriate, based on reasonable and documented information that it is appropriate to use a longer term. As of March 31, 2018, the Group has not used terms greater than 90 days for any of the significant portfolios.

Credit impaired asset

An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

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

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

Significant increase in credit risk

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

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

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

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

Additionally, instruments under one of the following circumstances are considered Stage 2:

- More than 30 days past due. Default of more than 30 days is a presumption that can be refuted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk.
- Watch list: They are subject to special watch by the Risks units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment.
- Refinance or restructuring that does not show evidence of impairment.

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

Thus the classification of financial instruments subject to impairment under the new IFRS 9 is as follows:

- **Stage 1– without significant increase in credit risk**

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

- **Stage 2– significantly increased in credit risk**

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

- **Stage 3 - Impaired**

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

Method for calculating expected loss

In accordance with IFRS 9, the measurement of expected losses must reflect:

- A considered and unbiased amount, determined by evaluating a range of possible results.
- The time value of money.

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

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

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

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

The estimated losses are derived from the following parameters:

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

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

To determine whether there is a significant increase in credit risk as of January 1, 2018 that is not reflected in the published ratings, the Group has also revised the changes in bond yields, and when they are available, the prices of CDS, together with the news and regulatory information available on the issuers.

Use of present, past and future information

IFRS 9 requires incorporation of present, past and future information to detect any significant increase in risk and measure expected loss.

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

The approach used by the Group consists of using first the most probable scenario (baseline scenario) consistent with that used in the Group's internal management processes, and then applying an additional adjustment, calculated by considering the weighted average of expected losses in other economic scenarios (one more positive and the other more negative). The main macroeconomic variables that are valued in each of the scenarios for each of the geographies in which the Group operates are Gross Domestic Product (GDP), tax rates, unemployment rate and loan to value (LTV).

Hedge accounting

IFRS 9 also affects hedge accounting, because the focus of the IFRS 9 is different from that of IAS 39, as it tries to align the accounting requirements with economic risk management. IFRS 9 also permit to the application of hedge accounting to a wider range of risks and hedging instruments. The Standard does not address the accounting for macro hedging strategies. To avoid any conflict between the macro hedge accounting under IAS 39 and the general hedge accounting requirements, IFRS 9 provides an accounting policy election for entities to continue applying hedge accounting under IAS 39.

Macro-hedges accounting is being developed as a separate project. Entities have the option to continue applying the hedge accounting as established by IAS39 until the project is completed. The Group has elected to continue applying IAS 39 to its hedge accounting.

Amended IFRS 9 – Prepayment Features with Negative Compensation

The amendments to IFRS 9 allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss. The condition is that the financial asset would otherwise meet the criteria of having contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of that prepayment feature.

The amendments should be applied to the accounting periods beginning on or after January 1, 2019, although early application is permitted. The Group has applied this amendment to the accounting period beginning on January 1, 2018 and it has not had a significant impact on the Group´s financial statements.

Amended IFRS 7 - “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.

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 contractual agreements (either over time or at a certain time). 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 has not had a significant impact on the Group's financial statements.

IFRS 2 – "Classification and Measurement of Share-based Payment Transactions"

The amendments made to IFRS 2 provide requirements on three different aspects:

- When measuring the fair value of a cash-settled share-based payment vesting conditions, other than market conditions, the conditions for the irrevocability shall be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction.
- A transaction in which an entity settles a share-base payment arrangement net by withholding a specified portion of the equity instruments to meet a statutory tax withholding obligation will be classified as equity settled in its entirety if, without the net settlement feature, the entire share-based payment would otherwise be classified as equity-settled.
- In case of modification of a share-based payment from cash-settled to equity-settled, the modification will be accounted for derecognizing the original liability and recognizing in equity the fair value of the equity instruments granted to the extent that services have been rendered up to the modification date; any difference will be recognized immediately in profit or loss.

This standard has not had a significant impact on the Group's financial statements.

Amended IFRS 4 "Insurance Contracts"

The amendments made to IFRS 4 address the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming insurance contracts Standard, by introducing two optional solutions:

The deferral approach or temporary exemption, that gives entities whose predominant activities are connected with insurance the option to defer the application of IFRS 9 and continue applying IAS 39 until 2021.

The overlay approach, that gives all issuers of insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the additional accounting volatility that may arise from applying IFRS 9 compared to applying IAS 39 before applying the forthcoming insurance contracts Standard.

This standard has not had a significant impact on the Group's financial statements.

Annual improvements cycle to IFRSs 2014-2016 – Minor amendments to IFRS 1 and IAS 28

The annual improvements cycle to IFRSs 2014-2016 includes minor changes and clarifications to IFRS 1-First-time Adoption of International Financial Reporting Standards and IAS 28 – Investments in Associates and Joint Ventures, which have been applied to the accounting periods beginning on or after January 1, 2018.

This standard has not had a significant impact on the Group's financial statements.

IFRIC 22- Foreign Currency Transactions and Advance Consideration

The Interpretation addresses how to determine the date of the transaction, and thus, the exchange rate to use to translate the related asset, expense or income on initial recognition, in circumstances in which a non-monetary prepayment asset or a non-monetary deferred income liability arising from the payment or receipt of advance consideration is recognized in advance of the related asset, income or expense. It requires that the date of the transaction will be the date on which an entity initially recognizes the non-monetary asset or non-monetary liability.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

This standard has not had a significant impact on the Group's financial statements.

Amended IAS 40 – Investment Property

The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property.

This standard has not had a significant impact on the Group's financial statements.

2.2 Standards and interpretations issued but not yet effective as of March 31, 2018

The following new International Financial Reporting Standards together with their interpretations had been published at the date of preparation of the accompanying consolidated financial statements, but are not mandatory as of March 31, 2018. Although in some cases the IASB allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

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

These changes will be applicable to accounting periods beginning on the effective date, still to be determined, although early adoption is allowed.

IFRS 16 – "Leases"

The standard will be applied to the accounting years starting on or after January 1, 2019.

IFRS 17 – Insurance Contracts

This Standard will be applied to the accounting years starting on or after January 1, 2021.

IFRIC 23 - Uncertainty over Income Tax Treatments

The interpretation will be applied to the accounting periods beginning on or after January 1, 2019.

Amended IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments will be applied to the accounting periods beginning on or after January 1, 2019.

Annual improvements cycle to IFRSs 2015-2017

The amendments will be applied to the accounting periods beginning on or after January 1, 2019.

Amended IAS 19 – Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address its pension accounting requirements in connection with accounting for a defined benefit pension plan amendment, curtailment or settlement that occurs during a period. The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement.

The amendments will be applied to the accounting periods beginning on or after January 1, 2019.

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.

The following information is detailed in the Consolidated Financial Statements of the Group for the year ended December 31, 2017:

- Appendix I shows relevant information related to the consolidated subsidiaries and structured entities.
- Appendix II shows relevant information related to investments in subsidiaries, joint ventures and associates accounted for using the equity method.
- Appendix III shows the main changes and notification of investments and divestments in the BBVA Group.
- Appendix IV shows fully consolidated subsidiaries with more than 10% owned by non-Group shareholders.

The BBVA Group's activities are mainly located in Spain, Mexico, South America, the United States and Turkey, with an active presence in other areas of Europe and Asia (see Note 5). There have been no significant variations in the Group during the first three months of 2018.

Significant transactions in the first three months of 2018

Ongoing divestitures

Offer for the acquisition of BBVA's stake in BBVA Chile

On November 28, 2017, BBVA received a binding offer from The Bank of Nova Scotia group ("Scotiabank") for the acquisition, at a price of approximately USD 2,200 million of BBVA's stake in Banco Bilbao Vizcaya Argentaria, Chile ("BBVA Chile") as well as in other companies of the Group in Chile which operations are complementary to the banking business (amongst them, BBVA Seguros Vida, S.A.). BBVA owns, directly and indirectly, approximately 68.19% of BBVA Chile share capital. On December 5, 2017, BBVA accepted the Offer and entered into a sale and purchase agreement.

The Offer received does not include BBVA's stake in the automobile financing companies of Forum group and in other Chilean entities from BBVA's Group which are engaged in corporate activities of BBVA Group.

Completion of the transaction is subject to obtaining the relevant regulatory approvals.

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

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

The Business comprises: (i) foreclosed real estate assets (the "REOs"), with a gross book value of approximately €13,000 million, taking as starting point the situation of the REOs on June 26, 2017; and (ii) the necessary assets and employees to manage the Business in an autonomous manner. For the purpose of the agreement with Cerberus, the whole Business was valued at approximately €5,000 million.

Considering the valuation of the whole Business previously mentioned and assuming that all the Business' REOs on June 26, 2017 will be contributed to the Company, the sale price for 80% of the shares would amount to approximately €4,000 million. The price finally paid will be determined by the volume of REOs effectively contributed that may vary depending on, among other matters, the sales carried out from the date of reference June 26, 2017 until the date of closing of the transaction and the fulfilment of the usual conditions in this kind of transactions.

The transaction as a whole is subject to obtaining the relevant authorizations from the competent authorities and it is not expected to have significant impact on the Consolidated Financial Statements when completed.

4. Shareholder remuneration system

The Board of Directors, at the Annual General Meeting of March 16, 2018, approved the payment in cash of €0.15 (€0.1215 net of withholding tax) per BBVA share as final dividend for 2017. The dividend was paid on April 10, 2018.

5. Operating segment reporting

The information about operating segments is presented 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 disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group and, ultimately, into the reportable operating segments themselves.

During the three month period ended March 31, 2018, there have not been significant changes in the reporting structure of the operating segments of the BBVA Group compared to the structure existing at the end of 2017. The structure of the operating segment is as follows:

- Banking activity in Spain

  Includes, as in previous years, the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- Non Core Real Estate

  Covers specialist management in Spain of loans to developers in difficulties and real-estate assets mainly coming from foreclosed assets, originated from both, residential mortgages, as well as loans to developers. New loan production to developers or loans to those that are not in difficulties are managed by Banking activity in Spain.

- The United States

  Includes the Group´s business activity in the country through the BBVA Compass group and the BBVA New York branch.

- Mexico

  Includes all the banking and insurance businesses in the country and BBVA Bancomer Houston branch.

- Turkey

  Includes the activity of the Garanti Group.

- South America

  Includes mainly BBVA´s banking and insurance businesses in the region.

- Rest of Eurasia

  Includes business activity in the rest of Europe and Asia, i.e. the Group´s retail and wholesale businesses in the area.

Lastly, the Corporate Center is comprised of the rest of the assets and liabilities that have not been allocated to the operating segments. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and their related results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due related to commitments with employees; goodwill and other intangibles.

The breakdown of the BBVA Group's total assets by operating segments as of March 31, 2018 and December 31. 2017, is as follows:

Total Assets by Operating Segments (Millions of Euros)

	March 2018	**December 2017 (*)**
Banking activity in Spain	322,929	319,417
Non Core Real Estate	9,186	9,714
United States	72,280	75,775
Mexico	93,275	94,061
Turkey	74,389	78,694
South America	71,969	74,636
Rest of Eurasia	16,749	17,265
Subtotal Assets by Operating Segments	**660,777**	**669,563**
Corporate Center and other adjustments	24,664	20,496
Total Assets BBVA Group	**685,441**	**690,059**

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The profit and main earning figures in the consolidated income statements for the three months ended March 31, 2018 and 2017 by operating segments are as follows:

Main Margins and Profits by Operating Segments (Millions of Euros)

	BBVA Group	**Banking Activity in Spain**	**Non Core Real Estate**	**United States**	**Mexico**	**Turkey**	**South America**	**Rest of Eurasia**	**Corporate Center**
March 2018									
Net interest income	4,288	921	7	524	1,317	753	792	43	(68)
Gross income	6,096	1,596	(3)	699	1,711	996	1,079	126	(106)
Operating profit /(loss) before tax	2,237	616	(32)	251	788	520	417	69	(393)
Profit	**1,340**	**437**	**(27)**	**195**	**571**	**201**	**210**	**47**	**(295)**
March 2017 (*)									
Net interest income	4,322	935	10	526	1,297	812	807	46	(110)
Gross income	6,383	1,676	(21)	722	1,720	976	1,104	135	70
Operating profit /(loss) before tax	2,065	523	(137)	177	736	483	369	58	(145)
Profit	**1,199**	**372**	**(106)**	**129**	**541**	**160**	**185**	**40**	**(122)**

(*) Presented solely and exclusively for comparison purposes (see Note 1).

6. Risk management

The principles and risk management policies, as well as tools and procedures established and implemented in the Group as of March 31, 2018 do not differ significantly from those included in the Consolidated Financial Statements of the Group for the year ended December 31, 2017 (see Note 7 of such financial statements).

BBVA Group's credit risk with its impairment losses by headings in the balance sheets as of March 31, 2018 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:

Credit Risk and impairment losses (Millions of Euros)

	Notes	Total	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**61,534**			
Debt securities	9	30,545			
Equity instruments	9	6,385			
Loans and advances to customers	9	24,603			
Non-trading financial assets mandatorily at fair value through profit or loss		**4,360**			
Loans and advances	10	1,698			
Debt securities	10	256			
Equity instruments	10	2,406			
Financial assets designated at fair value through profit or loss	**11**	**1,330**			
Derivatives (trading and hedging)		**43,861**			
Financial assets at fair value through other comprehensive income		**59,235**	**59,217**	**3**	**15**
Debt securities		56,478	56,461	3	15
Government		45,266	45,266	-	-
Credit institutions		3,653	3,653	-	-
Other sectors		7,537	7,542	3	15
Equity instruments	12	2,756	2,756	-	-
Financial assets at amortized cost		**431,392**	**380,270**	**32,510**	**18,612**
Loans and advances to central banks		7,072	7,072	-	-
Loans and advances to credit institutions		10,694	10,683	-	11
Loans and advances to customers		381,683	330,630	32,484	18,569
Debt securities		31,943	31,885	26	33
Total financial assets risk		**601,712**	**439,487**	**32,513**	**18,627**
Total loan commitments and financial guarantees	**28**	**172,331**	**162,569**	**8,750**	**1,012**
Total maximum credit exposure		**774,043**	**602,056**	**41,263**	**19,639**
Impairment losses		**(14,377)**	**(2,470)**	**(2,557)**	**(9,350)**
Of which:					
Impairment asset		(13,768)	(2,205)	(2,438)	(9,126)
Commitments and financial guarantees		(609)	(265)	(119)	(225)

The table below shows the composition of the impaired financial assets and guarantees given as of March 31, 2018 and December 31, 2017, broken down by heading in the accompanying consolidated balance sheet:

Impaired financial assets and guarantees given
Breakdown by type of asset and by sector (Millions of Euros)

	March 2018	**December 2017**
Financial assets at fair value through other comprehensive income	15	70
Debt securities	15	70
Financial assets at amortized cost	19,004	19,780
Loans and advances to credit institutions	11	11
Loans and advances to customers	18,960	19,753
Debt securities	33	17
Total impaired financial assets	**19,018**	**19,850**
Impaired financial guarantees given	**555**	**739**
Total impaired financial assets and contingent risks	**19,573**	**20,590**

The table below presents the change in the impaired financial assets in the three-month period ended March 31, 2018:

Changes in Impaired Financial Assets and Contingent Risks (Millions of Euros)

Beginning balance	**20,590**
Additions	2,065
Decreases (*)	(1,789)
Amounts written off	(913)
Acquisition of subsidiaries in the year	-
Exchange differences and other	(380)
Ending balance	**19,573**

(*) Reflects the total amount of impaired loans derecognized from the consolidated balance sheet during the period as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries.

Below are the changes in the period of three months ended March 31, 2018 in the estimated impairment losses:

Changes in Impairment losses of Financial Assets (Millions of Euros)

Beginning balance	**12,833**
Increase in impairment losses charged to income	2,975
Decrease in impairment losses charged to income	(2,093)
Acquisition of subsidiaries in the year	-
First implementation adjustment of IFRS 9	1,171
Transfer to written-off loans, exchange differences and other	(1,117)
Ending balance	**13,768**
Of which: loans and advances to customers	13,697

7. Fair Value

The criteria and valuation methods used to calculate the fair value of financial assets as of March 31, 2018, do not differ significantly from those included in the Note 8 from the Consolidated Financial Statements for the year ended December 31, 2017.

During the three months ended March 31, 2018, there is no significant transfer of financial instruments between the different levels, and the changes in measurement are due to the variations in the fair value of the financial instruments.

8. Cash and cash balances at central banks and other demand deposits

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

	Notes	March 2018	December 2017
Cash on hand		5,646	6,220
Cash balances at Central Banks		32,630	31,718
Other demand deposits		4,891	4,742
Total Assets		**43,167**	**42,680**
Deposits from Central Banks		28,413	30,899
Repurchase agreements from Central Banks		1,054	6,155
Total Liabilities	**20**	**29,467**	**37,054**

9. Financial Assets and Liabilities Held-for-Trading

Financial Assets and Liabilities Held-for-Trading (Millions of Euros)

	Notes	March 2018	December 2017
Derivatives		33,211	35,265
Debt securities	6	30,545	22,573
Loans and advances	6	24,603	56
Equity instruments	6	6,385	6,801
Total Assets		**94,745**	**64,695**
Derivatives		34,189	36,169
Short positions		10,775	10,013
Deposits		41,803	
Total Liabilities		**86,767**	**46,182**

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

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

	Notes	March 2018
Equity instruments		2,406
Debt securities		256
Loans and advances		1,698
Total Assets	**6**	**4,360**

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)

	Notes	March 2018	December 2017
Equity instruments			1,888
Unit-linked products			1,621
Other securities			266
Debt securities		1,302	174
Loans and advances to credit institutions		28	648
Total Assets	**6**	**1,330**	**2,709**
Deposits		1,026	-
Debt securities		2,668	-
Other financial liabilities		2,382	2,222
Unit-linked products		2,382	2,222
Total Liabilities		**6,075**	**2,222**

12. Financial assets at fair value through other comprehensive income

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

	Notes	March 2018	December 2017
Debt securities		56,456	66,252
Equity instruments	6	2,756	3,224
Total		**59,212**	**69,476**

13. Financial assets at amortized cost

Financial assets at amortized cost (Millions of Euros)

	March 2018	December 2017
Debt securities	**31,909**	**10,339**
Of which: Impairment losses	(34)	(15)
Loans and advances to central banks	**7,070**	**7,300**
Of which: Impairment losses	(2)	-
Loans and advances to credit institutions	**10,681**	**26,261**
Of which: Impairment losses	(13)	(36)
Loans and advances to customers	**367,986**	**387,621**
Government	28,246	31,645
Other financial corporations	7,642	18,173
Non-financial corporations	160,149	164,510
Other	171,950	173,293
Of which: Impairment losses	(13,697)	(12,748)
Held to maturity investments		**13,754**
Total	**417,646**	**445,275**

14. Investments in joint ventures and associates

Joint ventures and associates (Millions of Euros)

	March 2018	December 2017
Joint ventures	247	256
Associates	1,148	1,332
Total	**1,395**	**1,588**

15. Tangible assets

Tangible Assets. Breakdown by Type of Asset
Cost Value, Depreciation and impairments (Millions of Euros)

	March 2018	December 2017
Property plant and equipment		
For own use		
Land and Buildings	5,468	5,490
Work in Progress	226	234
Furniture, Fixtures and Vehicles	6,196	6,628
Accumulated depreciation	(5,184)	(5,456)
Impairment	(315)	(315)
Subtotal	**6,391**	**6,581**
Leased out under an operating lease		
Assets leased out under an operating lease	467	492
Accumulated depreciation	(75)	(77)
Impairment	-	-
Subtotal	**392**	**415**
Subtotal	**6,783**	**6,996**
Investment property		
Building rental	187	224
Other	4	4
Accumulated depreciation	(9)	(13)
Impairment	(17)	(20)
Subtotal	**165**	**195**
Total	**6,948**	**7,191**

16. Intangible assets

Intangible Assets (Millions of Euros)

	March 2018	December 2017
Goodwill	5,929	6,062
Other intangible assets	2,270	2,402
Total	**8,199**	**8,464**

17. Tax assets and liabilities

Tax assets and liabilities (Millions of Euros)		
	March 2018	**December 2017**
Tax assets		
Current tax assets	1,838	2,163
Deferred	15,265	14,725
Tax assets	**17,103**	**16,888**
Tax Liabilities		
Current tax liabilities	1,297	1,114
Deferred tax liabilities	2,413	2,184
Tax Liabilities	**3,710**	**3,298**

In accordance with IAS 34, income tax expense is recognized in each interim period based on the Group's best estimate of the weighted average annual income tax rate expected for the full financial year.

18. Other assets and liabilities

Other assets and liabilities Breakdown by nature (Millions of Euros)		
	March 2018	**December 2017**
Other assets		
Inventories	223	229
Real estate	221	226
Others	2	3
Transactions in progress	226	156
Accruals	904	768
Prepaid expenses	567	509
Other prepayments and accrued income	338	259
Insurance contracts linked to pensions	-	-
Other items	3,301	3,207
Total Assets	**4,654**	**4,359**
Other liabilities		
Transactions in progress	93	165
Accruals	2,413	2,490
Accrued expenses	1,835	1,997
Other accrued expenses and deferred income	577	493
Other items	1,142	1,894
Total Other liabilities	**3,647**	**4,550**

19. Non-current assets and disposal groups classified as held for sale

Non-current assets and disposal groups classified as held for sale (Millions of Euros)

	March 2018	December 2017
Foreclosures and recoveries	6,029	6,207
Other assets from tangible assets	420	447
Business assets (*)	18,167	18,623
Accumulated amortization (**)	(51)	(77)
Impairment losses	(1,093)	(1,348)
Total	**23,471**	**23,853**

(*) Included mainly the BBVA's stake in BBVA Chile (see Note 3).

(**) Represents the amortization prior to reclassification to non-current assets and disposal groups held for sale.

20. Financial liabilities at amortized cost

Financial liabilities measured at amortized cost (Millions of Euros)

	Notes	March 2018	December 2017
Deposits		423,244	467,949
Deposits from Central Banks	8	29,467	37,054
Deposits from Credit Institutions	20.1	33,564	54,516
Customer deposits	20.2	360,213	376,379
Debt securities issued	20.3	60,866	63,915
Other financial liabilities	20.4	13,188	11,850
Total		**497,298**	**543,713**

20.1 Deposits from credit institutions

Deposits from credit institutions (Millions of Euros)

	Notes	March 2018	December 2017
Term deposits		20,349	25,941
Demand deposits		8,209	3,731
Repurchase agreements		5,006	24,843
Total	**20**	**33,564**	**54,516**

20.2 Customer deposits

Customer deposits (Millions of Euros)	Notes	March 2018	December 2017
General Governments		23,869	23,210
Current accounts		221,042	223,497
Time deposits		109,320	116,538
Repurchase agreements		1,539	9,076
Subordinated deposits		194	194
Other accounts		4,250	3,864
Total	**20**	**360,213**	**376,379**

20.3 Debt securities issued

Debt securities issued (Millions of Euros)	Notes	March 2018	December 2017
In Euros		**38,296**	**38,735**
Promissory bills and notes		896	1,309
Non-convertible bonds and debentures		9,434	9,418
Mortgage Covered bonds		16,223	16,425
Hybrid financial instruments		1,303	807
Securitization bonds issued		2,344	2,295
Other securities		-	-
Subordinated liabilities		8,096	8,481
Convertible		4,500	4,500
Convertible perpetual securities		4,500	4,500
Non-convertible		3,596	3,981
Preferred Stock		107	107
Other subordinated liabilities		3,489	3,875
In Foreign Currencies		**22,570**	**25,180**
Promissory bills and notes		3,047	3,157
Non-convertible bonds and debentures		8,441	11,109
Mortgage Covered bonds		617	650
Hybrid financial instruments		1,555	1,809
Securitization bonds issued		46	47
Other securities		-	-
Subordinated liabilities		8,863	8,407
Convertible		2,030	2,085
Convertible perpetual securities		2,030	2,085
Non-convertible		6,834	6,323
Preferred Stock		75	55
Other subordinated liabilities		6,759	6,268
Total	**20**	**60,866**	**63,915**

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20.4 Other financial liabilities

Other financial liabilities (Millions of Euros)	Notes	March 2018	December 2017
Creditors for other financial liabilities		4,182	2,835
Collection accounts		3,132	3,452
Creditors for other payment obligations		5,873	5,563
Dividend payable but pending payment		-	-
Total	**20**	**13,188**	**11,850**

21. Liabilities under insurance and reinsurance contracts

Liabilities under Insurance and Reinsurance Contracts Technical Reserves and Provisions (Millions of Euros)	March 2018	December 2017
Technical reserves	8,271	7,961
Provision for unpaid claims reported	636	631
Provisions for unexpired risks and other provisions	718	631
Total	**9,624**	**9,223**

22. Provisions

Provisions. Breakdown by concepts (Millions of Euros)	March 2018	December 2017
Pensions and other post employment defined benefit obligations	5,143	5,407
Other long term employee benefits	56	67
Pending legal issues and tax litigation	774	756
Commitments and guarantees given	609	578
Other provisions (*)	641	669
Total	**7,223**	**7,477**

(*) Individually insignificant provisions or contingencies in different geographies.

23. Pension and other post-employment commitments

Employees are covered by defined contribution for the majority of active employees, with the plans in Spain and Mexico being the most significant. Most of the defined benefit plans are for individuals already retired, and are closed to new employees, the most significant being those in Spain, Mexico, the United States and Turkey. In Mexico, the Group provides post-retirement medical benefits to a closed group of employees and their family members.

The amounts relating to post-employment benefits charged to the profit and loss account and other comprehensive income for the three month periods ended March 31, 2018 and 2017 are as follows:

Consolidated Income Statement Impact (Millions of Euros)	Notes	March 2018	March 2017
Interest income and expenses		19	19
Personnel expenses		41	44
Defined contribution plan expense	37.1	26	26
Defined benefit plan expense	37.1	16	18
Provisions (net)	39	46	107
Total impact on Income Statement: Expense (Income)		**107**	**170**

24. Capital

As of March 31, 2018, BBVA's share capital amounted to €3,267,264,424.20 divided into 6,667,886,580 shares 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´s 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 capital.

25. Retained earnings, revaluation reserves and other reserves

Retained earnings, revaluation reserves and other reserves (Millions of Euros)	March 2018	December 2017
Retained earnings	26,078	25,474
Revaluation reserves	11	12
Other reserves	(47)	(44)
Total	**26,041**	**25,442**

The impact of the first application of IFRS 9 is included in the heading "Retained Earnings" of the previous table (see Notes 1 and 2).

26. Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) (Millions of Euros)

	March 2018	December 2017
Items that will not be reclassified to profit or loss	**(1,180)**	**(1,183)**
Actuarial gains or (losses) on defined benefit pension plans	(1,211)	(1,183)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	-	-
Other adjustments	31	-
Items that may be reclassified to profit or loss	**(8,021)**	**(7,609)**
Hedge of net investments in foreign operations [effective portion]	(122)	1
Foreign currency translation	(9,494)	(9,159)
Hedging derivatives. Cash flow hedges [effective portion]	(24)	(34)
Financial assets at fair value through other comprehensive income	1,636	1,641
Non-current assets and disposal groups classified as held for sale	13	(26)
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	(29)	(31)
Total	**(9,201)**	**(8,792)**

27. Minority interest (non-controlling interests)

Non-Controlling Interests. Breakdown by Subsidiaries (Millions of Euros)

	March 2018	December 2017
Garanti Group	4,616	4,903
BBVA Banco Continental Group	958	1,059
BBVA Banco Francés Group	413	420
BBVA Chile Group	390	399
BBVA Colombia Group	65	65
BBVA Banco Provincial Group	93	78
Other entities	55	55
Total	**6,592**	**6,979**

Attributable to minority interest (non-controlling interests) Breakdown by Subsidiaries (Millions of Euros)		
	March 2018	**March 2017**
Garanti Group	206	217
BBVA Banco Continental Group	43	50
BBVA Banco Francés Group	23	12
BBVA Chile Group	12	14
BBVA Colombia Group	1	1
BBVA Banco Provincial Group	(2)	(3)
Other entities	1	1
Total	**286**	**293**

28. Guarantees given and contingent commitments

Guarantees and commitments given (Millions of Euros)			
	Notes	**March 2018**	**December 2017**
Loan commitments given		118,635	111,379
Financial guarantees given		47,519	47,668
Contingent commitments given		6,177	14,613
Total	**6**	**172,331**	**173,660**

29. Off-balance sheet customer funds

Off-Balance Sheet Customer Funds by Type (Millions of Euros)		
	March 2018	**December 2017**
Mutual funds	64,327	60,939
Pension funds	33,604	33,985
Customer portfolios	30,064	36,901
Other resources	2,445	3,081
Total	**130,440**	**134,906**

30. Net Interest income

30.1 Interest income and other similar income

Interest Income - Breakdown by Origin (Millions of Euros)

	March 2018	March 2017
Central Banks	129	59
Loans and advances to credit institutions	82	71
Loans and advances to customers	5,606	5,468
Debt securities	897	898
Held for trading	359	284
Other portfolios	538	614
Adjustments of income as a result of hedging transactions	96	(78)
Insurance activity	292	374
Other income	97	193
Total	**7,199**	**6,986**

30.2 Interest expenses

Interest Expenses - Breakdown by Origin (Millions of Euros)

	March 2018	March 2017
Central banks	23	32
Deposits from credit institutions	479	336
Customers deposits	1,490	1,415
Debt securities issued	469	556
Adjustments of expenses as a result of hedging transactions	176	(150)
Cost attributable to pension funds	19	23
Insurance activity	158	280
Other expenses	97	171
Total	**2,911**	**2,663**

31. Dividend income

Dividend Income (Millions of Euros)	**March 2018**	**March 2017**
Dividends from:		
Financial assets held for trading		27
Financial assets at fair value through other comprehensive income	9	16
Other	3	-
Total	**12**	**43**

32. Share of profit or loss of investments in entities accounted for using the equity method

Net income from "Investments in Entities Accounted for Using the Equity Method" resulted in a positive impact of €8 million for the three months ended March 31, 2018 compared with the negative impact of €5 million recorded for the three months ended March 31, 2017.

33. Fee and commissions income and expenses

Fee and Commission Income (Millions of Euros)	**March 2018**	**March 2017**
Bills receivables	12	12
Demand accounts	131	123
Credit and debit cards	672	675
Checks	46	51
Transfers and others payment orders	139	148
Insurance product commissions	46	51
Commitment fees	54	59
Contingent risks	98	101
Asset Management	262	217
Securities fees	99	105
Custody securities	32	30
Other fees and commissions	181	185
Total	**1,771**	**1,755**

Fee and Commission Expense (Millions of Euros)	**March 2018**	**March 2017**
Credit and debit cards	350	349
Transfers and others payment orders	22	25
Commissions for selling insurance	13	16
Other fees and commissions	150	141
Total	**535**	**532**

34. Gains or losses on financial assets and liabilities and exchange differences

Gains or (losses) on financial assets and liabilities and exchange differences
Breakdown by Heading of the Balance Sheet (Millions of Euros)

	March 2018	March 2017
Gains or (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	78	520
Available-for-sale financial assets	68	502
Loans and receivables	7	15
Other	2	3
Gains or (losses) on financial assets and liabilities held for trading, net	464	179
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	(3)	
Gains or (losses) on financial assets and liabilities designated at fair value through profit or loss, net	41	(61)
Gains or (losses) from hedge accounting, net	17	(141)
Subtotal Gains or (losses) on financial assets and liabilities	**597**	**496**
Exchange Differences	(186)	194
Total	**410**	**690**

Gains or (losses) on financial assets and liabilities
Breakdown by nature of the Financial Instrument (Millions of Euros)

	March 2018	March 2017
Debt instruments	107	346
Equity instruments	(166)	549
Loans and advances to customers	88	23
Trading derivatives and hedge accounting	512	(365)
Customer deposits	53	(69)
Other	2	12
Total	**597**	**496**

35. Other operating income and expenses

Other operating income (Millions of Euros)

	March 2018	March 2017
Gains from sales of non-financial services	129	167
Of which: Real estate	75	93
Rest of other operating income	220	95
Of which: net profit from building leases	8	18
Total	**349**	**262**

Other operating expense (Millions of Euros)

	March 2018	March 2017
Change in inventories	80	106
Of Which: Real estate	69	83
Rest of other operating expenses	381	320
Total	**461**	**426**

36. Income and expenses on insurance and reinsurance contracts

Income and expense on insurance and reinsurance contracts (Millions of Euros)

	March 2018	March 2017
Income from insurance and reinsurance contracts	832	1,001
Expense from insurance and reinsurance contracts	(578)	(729)
Total	**254**	**272**

37. Administration costs

37.1 Personnel expenses

Personnel Expenses (Millions of Euros)

	Notes	March 2018	March 2017
Wages and salaries		1,220	1,282
Social security costs		193	199
Defined contribution plan expense	23	26	26
Defined benefit plan expense	23	16	18
Other personnel expenses		111	122
Total		**1,565**	**1,647**

37.2 Other administrative expenses

Other Administrative Expenses (Millions of Euros)	March 2018	March 2017
Technology and systems	203	173
Communications	61	75
Advertising	83	90
Property, fixtures and materials	249	265
Of which: Rent expenses (*)	142	153
Taxes other than income tax	120	126
Other expenses	389	407
Total	**1,106**	**1,136**

(*) The consolidated companies do not expect to terminate the lease contracts early.

38. Depreciation and amortization

Depreciation and amortization (Millions of Euros)	March 2018	March 2017
Tangible assets	156	176
For own use	153	171
Investment properties	3	5
Assets leased out under operating lease	-	-
Other Intangible assets	152	178
Total	**307**	**354**

39. Provisions or reversal of provisions

Provisions or reversal of provisions (Millions of Euros)	Notes	March 2018	March 2017
Pensions and other post employment defined benefit obligations	23	46	107
Other long term employee benefits		-	-
Commitments and guarantees given		(91)	(47)
Pending legal issues and tax litigation		72	7
Other Provisions		71	104
Total		**99**	**170**

40. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (Millions of Euros)		
	March 2018	**March 2017**
Financial assets measured at cost	-	-
Financial assets at fair value through other comprehensive income	(16)	(5)
Debt securities	(16)	(5)
Equity instruments		-
Financial assets at amortized cost	839	949
Of which: Recovery of written-off assets	(182)	(114)
Held to maturity investments		1
Total	**823**	**945**

41. Impairment or reversal of impairment on non-financial assets

Impairment or reversal of impairment on non-financial assets (Millions of Euros)		
	March 2018	**March 2017**
Tangible assets	17	2
Intangible assets	2	-
Others	(26)	51
Total	**(8)**	**52**

42. Gains or (losses) on derecognition of non financial assets and subsidiaries, net

Gains or (losses) on derecognition of non financial assets and subsidiaries, net (Millions of Euros)		
	March 2018	**March 2017**
Gains		
Disposal of investments in non-consolidated subsidiaries	24	2
Disposal of tangible assets and other	17	13
Losses:		
Disposal of investments in non-consolidated subsidiaries	-	(1)
Disposal of tangible assets and other	(30)	(16)
Total	**10**	**(2)**

43. Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)

	March 2018	March 2017
Gains on sale of real estate	47	10
Impairment of non-current assets held for sale	(23)	(26)
Gains on sale of investments classified as non current assets held for sale	-	4
Gains on sale of equity instruments classified as non current assets held for sale	-	-
Total	**24**	**(12)**

44. Subsequent events

From April 1, 2018 to the date of preparation of these consolidated financial statements, no subsequent events requiring disclosure in these interim financial statements have taken place that significantly affect the Group's earnings or its equity position, except the one mentioned in Note 4 concerning the Dividend.

APPENDIX I - Condensed balance sheets and income statements of Banco Bilbao Vizcaya Argentaria, S.A. (unaudited)

BBVA, S.A. - Condensed interim balance sheets

ASSETS	March 2018	Opening balance sheet 2018 Circular 4/2017	December 2017 Circular 4/2004 (*)
Cash, cash balances at central banks and other demand deposits	22,358	18,503	18,503
Financial assets held for trading	78,231	77,389	50,424
Non-trading financial assets mandatorily at fair value through profit or loss	4,748	4,699	
Financial assets designated at fair value through profit or loss	-	-	648
Financial assets at fair value through other comprehensive income	20,924	22,769	24,205
Financial assets at amortized cost	218,509	222,235	244,232
Held to maturity investments			8,354
Hedging derivatives	1,341	1,561	1,561
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(34)	(25)	(25)
Joint ventures, associates and unconsolidated subsidiaries	30,799	30,795	30,795
Insurance and reinsurance assets	-	-	-
Tangible assets	1,489	1,599	1,599
Intangible assets	846	882	882
Tax assets	12,871	13,204	12,911
Other assets	4,037	3,768	3,768
Non-current assets and disposal groups held for sale	2,635	2,226	2,226
TOTAL ASSETS	**398,754**	**399,605**	**400,083**

LIABILITIES AND EQUITY	March 2018	Opening balance sheet 2018 Circular 4/2017	December 2017 Circular 4/2004 (*)
Financial liabilities held for trading	74,768	70,960	43,703
Financial liabilities designated at fair value through profit or loss	1,523	993	-
Financial liabilities at amortized cost	273,991	277,721	305,797
Hedging derivatives	973	1,327	1,327
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	(7)	(7)
Liabilities under insurance and reinsurance contracts	-	-	-
Provisions	7,605	7,661	7,605
Tax liabilities	1,404	1,233	1,240
Share capital repayable on demand	-	-	-
Other liabilities	1,373	2,207	2,207
Liabilities included in disposal groups classified as held for sale	-	-	-
TOTAL LIABILITIES	**361,637**	**362,095**	**361,872**
SHAREHOLDERS' FUNDS	36,705	37,136	37,802
Capital	3,267	3,267	3,267
Share premium	23,992	23,992	23,992
Equity instruments issued other than capital	53	47	47
Other equity	-	-	-
Retained earnings	-	-	-
Revaluation reserves	11	12	12
Other reserves	8,808	8,779	9,445
Less: Treasury shares	(17)		-
Profit or loss attributable to owners of the parent	676	2,083	2,083
Less: Interim dividends	(85)	(1,044)	(1,044)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	412	374	409
TOTAL EQUITY	**37,117**	**37,510**	**38,211**
TOTAL EQUITY AND TOTAL LIABILITIES	**398,754**	**399,605**	**400,083**

MEMORANDUM	March 2018	Opening balance sheet 2018 Circular 4/2017	December 2017 Circular 4/2004 (*)
Loan commitments given	61,188	54,631	54,631
Financial guarantees given	10,040	11,336	11,336
Other commitments and financial guarantees given	28,027	36,503	36,503

(*) Presented solely and exclusively for comparison purposes (see Note 1).

APPENDIX I - Condensed balance sheets and income statements of Banco Bilbao Vizcaya Argentaria, S.A. (unaudited) (continuation)

BBVA, S.A. - Condensed income statements

	March 2018 Circular 4/2017	March 2017 Circular 4/2004 (*)
Interest income	1,203	1,209
Interest expense	(346)	(361)
NET INTEREST INCOME	**857**	**848**
Dividend income	792	1,430
Share of profit or loss of entities accounted for using the equity method	-	-
Fee and commission income	509	496
Fee and commission expense	(96)	(86)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	21	352
Gains (losses) on financial assets and liabilities held for trading, net	111	29
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	(3)	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains (losses) from hedge accounting, net	15	(150)
Exchange differences, net	31	123
Other operating income	32	34
Other operating expense	(46)	(61)
Income from insurance and reinsurance contracts	-	-
Expense from insurance and reinsurance contracts	-	-
GROSS INCOME	**2,223**	**3,015**
Administration costs	(1,012)	(1,001)
Depreciation and amortization	(115)	(139)
Provisions or reversal of provisions	(452)	(238)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(81)	(138)
NET OPERATING INCOME	**563**	**1,499**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	35	3
Impairment or reversal of impairment on non-financial assets	(17)	-
Gains (losses) on derecognition of non financial assets and subsidiaries, net	(17)	-
Negative goodwill recognized in profit or loss	-	-
Profit (Loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	178	(8)
OPERATING PROFIT BEFORE TAX	**742**	**1,494**
Tax expense or income related to profit or loss from continuing operations	(66)	(69)
PROFIT FROM CONTINUING OPERATIONS	**676**	**1,425**
Profit from discontinued operations, net	-	-
PROFIT	**676**	**1,425**

(*) Presented solely and exclusively for comparison purposes (see Note 1).

This appendix is an integral part of Note 1.7 of the consolidated financial statements corresponding to the three months period ended March 31, 2018.

APPENDIX II - Opening balance

Condensed Consolidated balance sheets (Millions of Euros)

ASSETS	December 2017 IAS 39	Classification and measurement of financial instruments	Impairment	Opening balance sheet 2018
Cash, cash balances at central banks and other demand deposits	42,680	-	-	42,680
Financial assets held for trading	64,695	27,159	-	91,854
Non-trading financial assets mandatorily at fair value through profit or loss		4,337	-	4,337
Financial assets designated at fair value through profit or loss	2,709	(1,690)	-	1,019
Financial assets at fair value through other comprehensive income		62,194	8	62,202
Available for sale financial assets	69,476	(69,476)	-	
Financial assets at amortized cost	431,521	(8,651)	(1,158)	421,712
Held to maturity investments	13,754	(13,754)	-	
Hedging derivatives	2,485	-	-	2,485
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(25)	-	-	(25)
Joint ventures, associates and unconsolidated subsidiaries	1,588	1	-	1,589
Insurance and reinsurance assets	421	-	-	421
Tangible assets	7,191	-	-	7,191
Intangible assets	8,464	-	-	8,464
Tax assets	16,888	8	400	17,296
Other assets	4,359	-	-	4,359
Non-current assets and disposal groups held for sale	23,853	-	(21)	23,832
TOTAL ASSETS	**690,059**	**125**	**(770)**	**689,414**

(*) See note 1.3.

The change registered in the heading "Financial assets held for trading" is mainly due to financial assets affected by the activity of Global Markets, which are reclassified from "Financial assets at amortized cost" and "Held to maturity investments".

The change registered in the heading "Available for sale financial assets" are mainly due to the reclassification to the new heading "Financial assets at fair value through other comprehensive income".

The change registered in the heading "Financial assets at amortized cost" is mainly due to the reclassification to the item "Financial assets held for trading".

APPENDIX II - Opening balance (continuation)

LIABILITIES AND EQUITY	December 2017 IAS 39	Classification and measurement of financial instruments	Impairment	Opening balance sheet 2018
Financial liabilities held for trading	46,182	34,601	-	80,783
Financial liabilities designated at fair value through profit or loss	2,222	3,273	-	5,495
Financial liabilities at amortized cost	543,713	(37,595)	-	506,118
Hedging derivatives	2,880	(112)	-	2,768
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(7)	-	-	(7)
Liabilities under insurance and reinsurance contracts	9,223	-	-	9,223
Provisions	7,477	-	125	7,602
Tax liabilities	3,298	(24)	17	3,291
Share capital repayable on demand	-	-	-	-
Other liabilities	4,550	-	-	4,550
Liabilities included in disposal groups classified as held for sale	17,197	1	(10)	17,188
TOTAL LIABILITIES	**636,736**	**142**	**132**	**637,010**
SHAREHOLDERS' FUNDS	55,136	71	(923)	54,285
Capital	3,267	-	-	3,267
Share premium	23,992	-	-	23,992
Equity instruments issued other than capital	-	-	-	-
Other equity	54	-	-	54
Retained earnings	25,474	71	(923)	24,623
Revaluation reserves	12	-	-	12
Other reserves	(44)	-	-	(44)
Less: Treasury shares	(96)	-	-	(96)
Profit or loss attributable to owners of the parent	3,519	-	-	3,519
Less: Interim dividends	(1,043)	-	-	(1,043)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(8,792)	(109)	13	(8,889)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	6,979	21	8	7,008
TOTAL EQUITY	**53,323**	**(17)**	**(902)**	**52,404**
TOTAL EQUITY AND TOTAL LIABILITIES	**690,059**	**125**	**(770)**	**689,414**

The change registered in the heading "Financial liabilities held for trading" is mainly due to financial liabilities affected by the activity of Global Markets, which are reclassified from "Financial liabilities at amortized cost".

The change registered in the heading "Financial liabilities at amortized cost" is mainly due to the reclassification to "Liabilities held for trading".

This appendix is an integral part of Notes 1.3 and 2.1 of the consolidated financial statements corresponding to the three months period ended March 31, 2018.

BBVA Creating Opportunities

Management Report

1Q18

Index

BBVA Group highlights

BBVA Group highlights (Consolidated figures)				
	IFRS 9		IAS 39	
	31-03-18	Δ %	31-03-17	31-12-17
Balance sheet (million euros)				
Total assets	685,441	(4.7)	719,193	690,059
Loans and advances to customers (gross)	381,683	(11.6)	431,899	400,369
Deposits from customers	360,213	(9.6)	398,499	376,379
Other customer funds	130,440	(3.6)	135,290	134,906
Total customer funds	490,653	(8.1)	533,789	511,285
Total equity	51,823	(5.6)	54,918	53,323
Income statement (million euros)				
Net interest income	4,288	(0.8)	4,322	17,758
Gross income	6,096	(4.5)	6,383	25,270
Operating income	3,117	(4.0)	3,246	12,770
Profit/(loss) before tax	2,237	8.3	2,065	6,931
Net attributable profit	1,340	11.8	1,199	3,519
The BBVA share and share performance ratios				
Number of shares (million)	6,668	1.5	6,567	6,668
Share price (euros)	6.43	(11.6)	7.27	7.11
Earning per share (euros) (1)	0.19	10.7	0.17	0.48
Book value per share (euros)	6.81	(6.9)	7.32	6.96
Tangible book value per share (euros)	5.58	(5.2)	5.88	5.69
Market capitalization (million euros)	42,868	(10.2)	47,739	47,422
Yield (dividend/price; %)	3.4		5.1	4.2
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	11.9		10.2	7.4
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	14.6		12.8	9.1
ROA (Profit or loss for the year/average total assets)	0.97		0.84	0.68
RORWA (Profit or loss for the year/average risk-weighted assets)	1.83		1.56	1.27
Efficiency ratio	48.9		49.1	49.5
Cost of risk	0.85		0.90	0.87
NPL ratio	4.4		4.9	4.6
NPL coverage ratio	73		71	65
Capital adequacy ratios (%)				
CET1 fully-loaded	10.9		11.0	11.1
CET1 phased-in (3)	11.1		11.6	11.7
Tier 1 phased-in (3)	12.8		12.8	13.0
Total ratio phased-in (3)	15.4		15.3	15.5
Other information				
Number of shareholders	890,146	(3.2)	919,274	891,453
Number of employees	131,745	(0.9)	133,007	131,856
Number of branches	8,200	(3.5)	8,499	8,271
Number of ATMs	31,602	1.3	31,185	31,688

General note: data as of 31-03-17 and 31-12-17 are presented for comparison purposes only.

(1) Adjusted by additional Tier 1 instrument remuneration.

(2) The ROE and ROTE ratios include in the denominator the Group's average shareholders' funds and take into account another item within total equity with the heading "Accumulated other comprehensive income". Excluding this item, the ROE would stand at 9.1% in the first quarter 2017, 6.4% in 2017 and 9.9% in the first quarter 2018 and the ROTE on 11.1%, 7.7% and 11.7%, respectively.

(3) As of March 31, 2018 phased-in ratios include the temporary treatment on the impact of IFRS9 , calculated in accordance with Article 473 bis of CRR. For 2017 the capital ratios are calculated under CRD IV from Basel III regulation, in which a phase-in of 80% is applied.

Group information

Relevant events

Impact of the initial implementation of IFRS 9

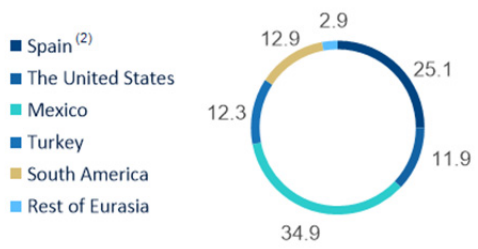
- The figures corresponding to the first quarter of 2018 are prepared under IFRS 9, which entered into force on January 1, 2018. This new accounting standard does not require the comparative information under IFRS 9 for prior periods, so the corresponding quarters to the year 2017 have been prepared in accordance with the regulation in force at that time (IAS 39).
- The impacts derived from the first application of IFRS 9, as of January 1, 2018, have been registered with a charge to reserves, of approximately €900m, mainly due to the allocation of provisions based on expected losses, compared to the loss model incurred under the previous IAS 39.
- Reduction of 31 basis points in the **fully-loaded CET1** ratio in December 2017.
- In the risk metrics, there were very few changes in the exposure to non-performing risk with respect to Stage 3 (impaired loans); lending fell due to reclassification of portfolios; the NPL coverage ratio rose due to the increase in loan-loss provisions; and the NPL ratio rose as a result of the decline in lending mentioned above.

Results (pages 5-11)

- Generalized sustained growth in **more recurrent sources of revenue** in practically all geographic areas.
- **Operating expenses** remain under control, leading to an improvement in the **efficiency** ratio in comparison with the same period in 2017.
- Year-on-year reduction of **impairment losses on financial assets not measured at fair value through profit or loss** (hereinafter, "impairment losses on financial assets").
- As a result, the net attributable profit was €1,340m, 11.8% higher than the first quarter of 2017.

Net attributable profit
(Million euros)

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



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

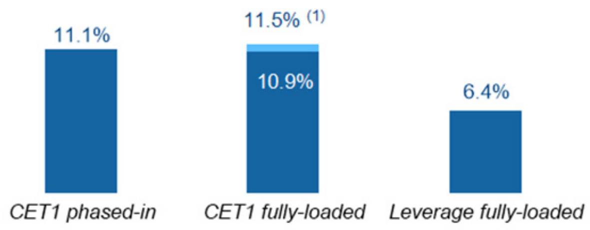
Balance sheet and business activity (pages 12-13)

- **Loans and advances to customers** (gross) continue to increase in emerging geographies but decline in Spain. The recovery that began in the second half of 2017 continues in the United States.
- **Non-performing loans** continue to improve.
- There was an increase in **off-balance-sheet funds**, mainly in mutual funds.

Solvency (pages 14-15)

- The **capital** position is above regulatory requirements.
- 13 basis points of fully-loaded **CET1** were generated in the quarter, strongly supported by the earnings generated between January and March.

Capital and leverage ratios (Percentage as of 31-03-2018)

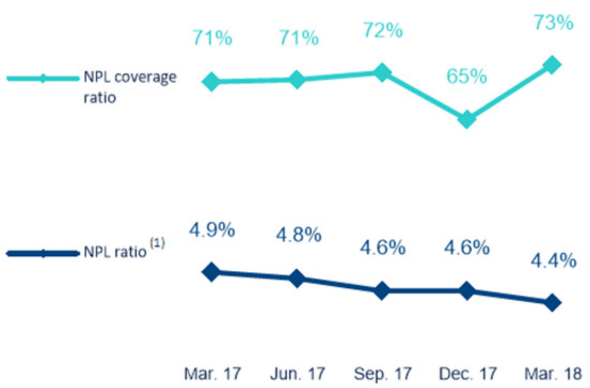


(1) Data pro-forma includes + 57 basis points of impacts from announced corporate transactions pending to be closed (sale of real-estate assets to Cerberus and BBVA Chile).

Risk management (pages 16-18)

- Good performance in the quarter of the main **credit risk metrics**: as of 31-March-2018, the NPL ratio closed at 4.4%, the NPL coverage ratio at 73% and the cumulative cost of risk at 0.85%.

NPL and NPL coverage ratios (Percentage)

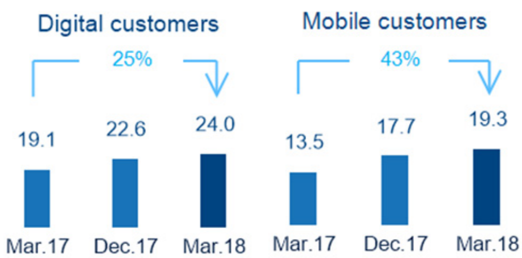


(1) Excluding repos.

Transformation

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

Digital and mobile customers (Million)



Dividends

- On April 10th there was a cash payment of €0.15 gross per share, corresponding to the **final dividend** for 2017, approved by the General Shareholders' Meeting held on March 16, 2018.

Results

BBVA generated a net attributable **profit** of €1,340m in the first three months of 2018, which represents a year-on-year increase of 11.8% (up 22.3% at constant exchange rates). Once more highlights were the good performance of recurring revenue, containment of operating expenses and lower loan-loss provisions, which offset the lower contribution from net trading income (NTI) compared with the same period the previous year.

Consolidated income statement: quarterly evolution (Million euros)

	IFRS 9	IAS 39			
	2018	2017			
	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,288**	**4,557**	**4,399**	**4,481**	**4,322**
Net fees and commissions	1,236	1,215	1,249	1,233	1,223
Net trading income	410	552	347	378	691
Dividend income	12	86	35	169	43
Share of profit or loss of entities accounted for using the equity method	8	5	6	(2)	(5)
Other income and expenses	142	(54)	154	77	108
Gross income	**6,096**	**6,362**	**6,189**	**6,336**	**6,383**
Operating expenses	(2,979)	(3,114)	(3,075)	(3,175)	(3,137)
Personnel expenses	(1,566)	(1,640)	(1,607)	(1,677)	(1,647)
Other administrative expenses	(1,106)	(1,143)	(1,123)	(1,139)	(1,136)
Depreciation	(307)	(331)	(344)	(359)	(354)
Operating income	**3,117**	**3,248**	**3,115**	**3,161**	**3,246**
Impaiment on financial assets not measured at fair value through profit or loss	(823)	(1,885)	(976)	(997)	(945)
Provisions or reversal of provisions	(99)	(180)	(201)	(193)	(170)
Other gains (losses)	41	(267)	44	(3)	(66)
Profit/(loss) before tax	**2,237**	**916**	**1,982**	**1,969**	**2,065**
Income tax	(611)	(499)	(550)	(546)	(573)
Profit/(loss) for the year	**1,626**	**417**	**1,431**	**1,422**	**1,492**
Non-controlling interests	(286)	(347)	(288)	(315)	(293)
Net attributable profit	1,340	70	1,143	1,107	1,199
Net attributable profit excluding results from corporate operations	1,340	70	1,143	1,107	1,199
Earning per share (euros) [(1)]	**0.19**	**(0.00)**	**0.16**	**0.16**	**0.17**

(1) Adjusted by additional Tier 1 instrument remuneration.

Consolidated income statement (Million euros)				
	IFRS 9			IAS 39
	1Q18	Δ %	Δ % at constant exchange rates	1Q17
Net interest income	**4,288**	**(0.8)**	**9.3**	**4,322**
Net fees and commissions	1,236	1.1	9.8	1,223
Net trading income	410	(40.6)	(38.5)	691
Dividend income	12	(73.1)	(72.6)	43
Share of profit or loss of entities accounted for using the equity method	8	n.s.	n.s.	(5)
Other income and expenses	142	32.2	43.4	108
Gross income	**6,096**	**(4.5)**	**4.2**	**6,383**
Operating expenses	(2,979)	(5.0)	3.2	(3,137)
Personnel expenses	(1,566)	(5.0)	3.3	(1,647)
Other administrative expenses	(1,106)	(2.6)	6.3	(1,136)
Depreciation	(307)	(13.1)	(7.2)	(354)
Operating income	**3,117**	**(4.0)**	**5.1**	**3,246**
Impaiment on financial assets not measured at fair value through profit or loss	(823)	(12.9)	(5.2)	(945)
Provisions or reversal of provisions	(99)	(41.7)	(41.3)	(170)
Other gains (losses)	41	n.s.	n.s.	(66)
Profit/(loss) before tax	**2,237**	**8.3**	**20.1**	**2,065**
Income tax	(611)	6.5	17.3	(573)
Profit/(loss) for the year	**1,626**	**9.0**	**21.1**	**1,492**
Non-controlling interests	(286)	(2.2)	15.8	(293)
Net attributable profit	**1,340**	**11.8**	**22.3**	**1,199**
Net attributable profit excluding results from corporate operations	**1,340**	**11.8**	**22.3**	**1,199**
Earning per share (euros) (1)	**0.19**			**0.17**

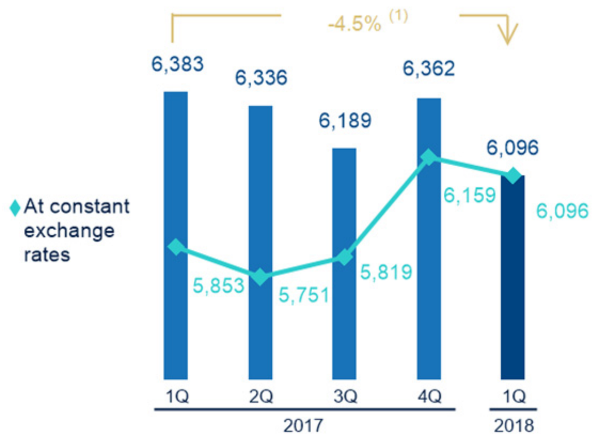
(1) Adjusted by additional Tier 1 instrument remuneration.

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

Gross income

Cumulative **gross income** grew by 4.2% year-on-year, once more strongly supported by the positive performance of the more recurring items.

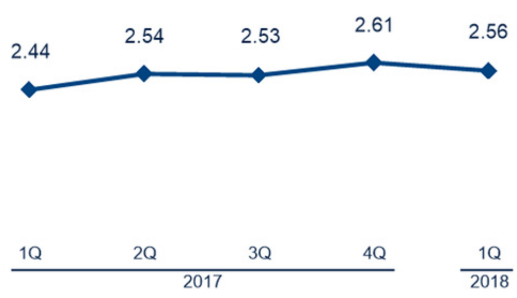
Gross income (Million euros)



(1) At constant exchange rates: 4.2%.

Net interest income grew by 9.3% year-on-year. This positive trend can once again be explained by growth of activity in emerging economies and good management of customer spreads. Over the quarter it fell by 2.6%, largely due to the performance of inflation-linked bonds in Turkey from December 2017 to March 2018 and the seasonal nature of the first quarter each year compared with the fourth quarter of the immediately preceding year (which mainly affects Spain and Mexico).

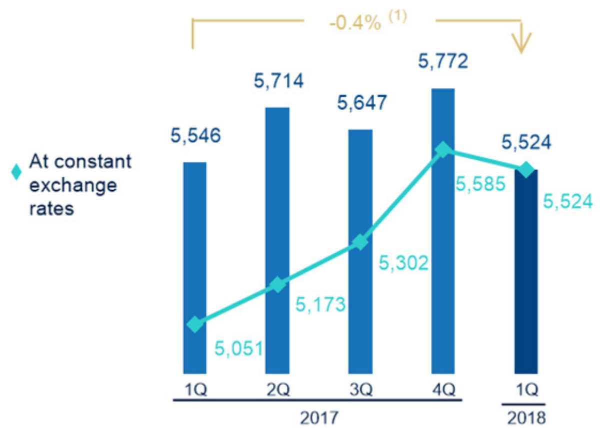
Net interest income/ATAs (Percentage)



Cumulative **net fees and commissions** performed well in all the Group's areas (up 9.8% year-on-year), driven by good diversification. The quarterly figure was also good (up 4.5% in the last three months).

As a result, **more recurring revenue items** (net interest income plus net fees and commissions) increased by 9.4% year-on-year (down 1.1% over the last three months).

Net interest income plus fees and commissions (Million euros)



(1) At constant exchange rates: 9.4%.

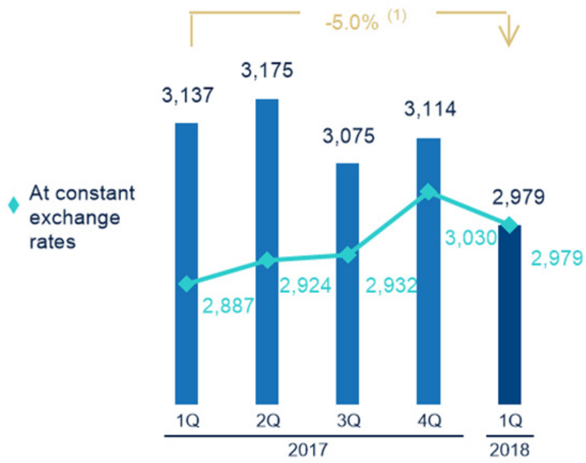
NTI between January and March 2018 moderated in comparison with the same period of 2017, when it was exceptionally high, largely due to the registration of the capital gains of €204m before tax from the sale on the market of 1.7% of China Citic Bank (CNCB).

Finally, **other operating income and expenses** increased by 43.4% in year-on-year terms. Of note is that the net contribution of the insurance business rose by 0.4% over the same period and a 6.7% over the quarter.

Operating income

Operating expenses increased year-on-year by 3.2%, strongly affected by the exchange rates (down 5.0% at current exchange rates). The above is due to the cost discipline implemented in all the Group's areas through various efficiency plans. By business area the biggest reductions were in Spain and the rest of Eurasia and, over the quarter, in the United States and Mexico. In the rest of the geographic areas (Turkey and South America), the year-on-year rise in costs was below the local inflation rate.

Operating expenses (Million euros)

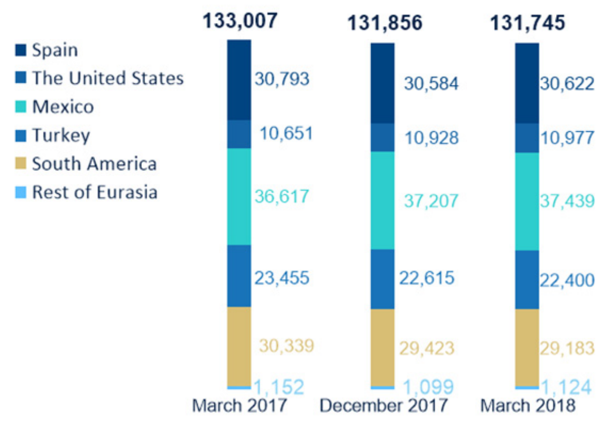


(1) At constant exchange rates: 3.2%.

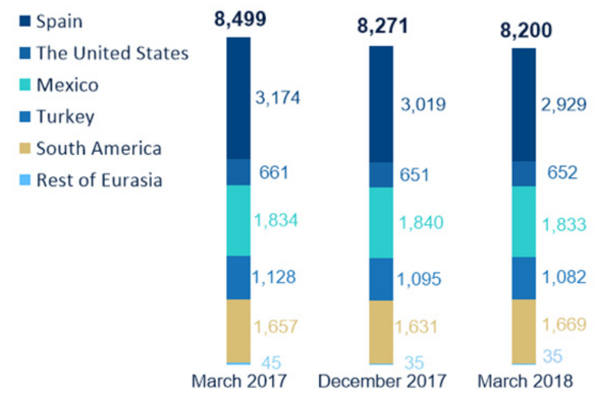
Breakdown of operating expenses and efficiency calculation (Million euros)

	1Q18	Δ %	1Q17
Personnel expenses	**1,566**	**(5.0)**	**1,647**
Wages and salaries	1,220	(4.8)	1,282
Employee welfare expenses	234	(3.7)	243
Training expenses and other	111	(9.1)	122
Other administrative expenses	**1,106**	**(2.6)**	**1,136**
Property, fixtures and materials	249	3.0	265
IT	283	16.9	242
Communications	61	(18.3)	75
Advertising and publicity	83	(7.9)	90
Corporate expenses	23	1.3	22
Other expenses	287	(8.9)	315
Levies and taxes	120	(4.6)	126
Administration costs	**2,672**	**(4.0)**	**2,783**
Depreciation	**307**	**(13.1)**	**354**
Operating expenses	**2,979**	**(5.0)**	**3,137**
Gross income	**6,096**	**(4.5)**	**6,383**
Efficiency ratio (operating expenses/gross income; %)	**48.9**		**49.1**

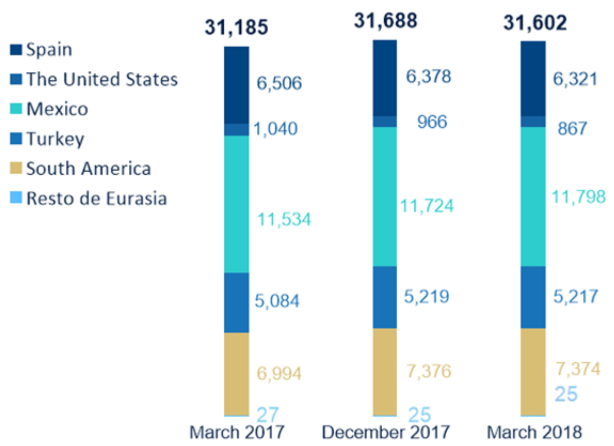
Number of employees



Number of branches

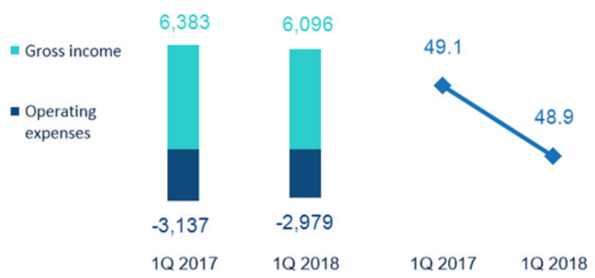


Number of ATMs

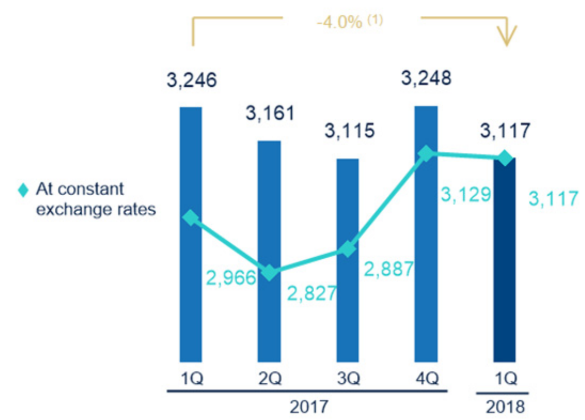


As a result of the above, the **efficiency** ratio closed at 48.9%, below the figure for the same period in 2017 (49.1%), and the cumulative operating income increased by 4.9% over the last twelve months.

Efficiency (Million euros) and efficiency ratio (Percentage)



Operating Income (Million euros)

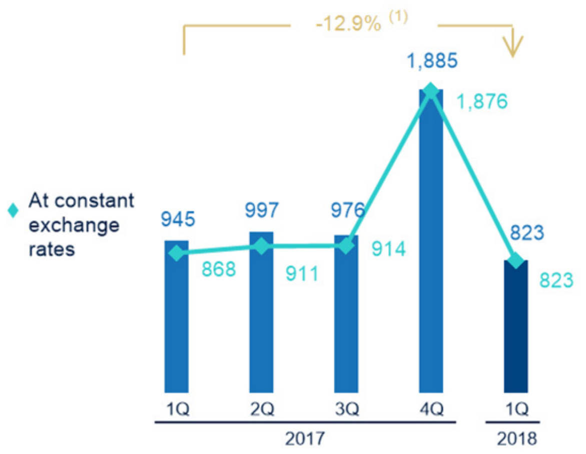


(1) At constant exchange rates: 5.1%.

Provisions and other

Impairment losses on financial assets in the first three months of the year were 5.2% below the figure for the same period in 2017. By business area, they continued to fall in Spain, due to lower loan-loss provisioning requirements. They also fell in the United States, due to the lower provisioning requirements in retail portfolios affected by hurricanes in 2017 and, to a lesser extent, in Mexico. In contrast, they increased in Turkey, due to a temporary deterioration in wholesale customers, and in South America.

Impairment on financial assets (net) (Million euros)



(1) At constant exchange rates: -5.2%.

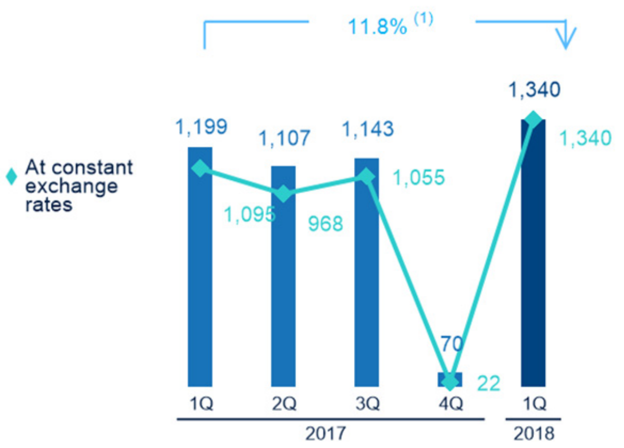
Finally, there was a decline of 41.3% in **provisions or reversal of provisions** (hereinafter, provisions), while **other gains** (losses) registered a positive balance against the negative of the first quarter of 2017, which included a charge of 177 million euros for restructuring costs.

Results

As a result of the above, the Group's **net attributable profit** continued to be very positive (up 22.3% year-on-year at constant exchange rates, 11.8% at current exchange rates).

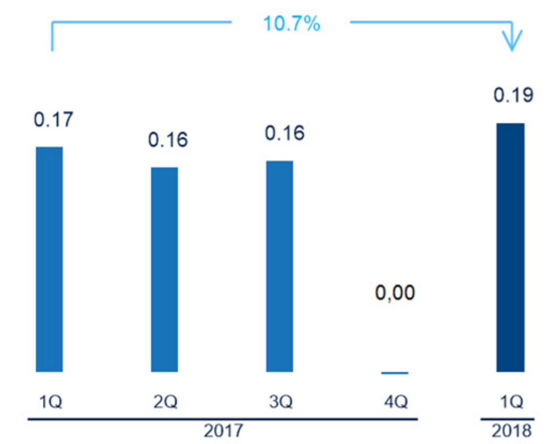
By **business area**, banking activity in Spain generated a profit of €437m, Non Core Real Estate a loss of only €27m, the United States contributed a profit of €195m, Mexico €571m, Turkey €201m, South America €210m and the Rest of Eurasia €47m.

Net attributable profit (Million euros)



(1) At constant exchange rates: 22.3%.

Earning per share (1) (Euros)



(1) Adjusted by additional Tier 1 instrument remuneration.

ROE and ROTE (1) (Percentage)

(1) The ROE and ROTE ratios include in the denominator the Group's average shareholders' funds and take into account another item within total equity with the heading "Accumulated other comprehensive income". Excluding this item, the ROE would stand at 9.1% in the first quarter 2017, 6.4% in 2017 and 9.9% in the first quarter 2018 and the ROTE on 11.1%, 7.7% and 11.7%, respectively.

ROA and RORWA (Percentage)

Balance sheet and business activity

The following table presents the **changes** in the Group's balance sheet and activity, from the opening balance calculated after the initial implementation of IFRS 9 to the close of the first quarter of 2018. This balance sheet includes the new categories included in the above standard.

With respect to the Group's activity, its most significant aspects during the period are summarized below:

- Reduction of the **loans and advances to customers** (gross), largely due to changes in the exchange rate against the euro in the geographic areas in which BBVA operates. The United States once more posted a slight increase in lending, the trend in Mexico was flat and there was growth in the other areas (Turkey and South America).
- **Non-performing loans** fell once more, above all thanks to an improvement in Spain and the United States.
- In **deposits** from customers there was a slight decrease mainly due to the decline in time deposits.
- In **off-balance-sheet funds**, investment funds continued with a positive evolution.

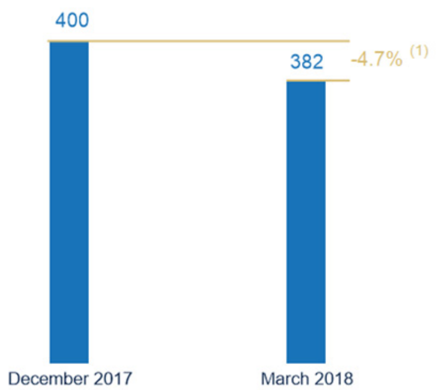
Consolidated balance sheet (Million euros)

	31-03-18	Δ %	01-01-18
Cash, cash balances at central banks and other demand deposits	43,167	1.1	42,680
Financial assets held for trading	94,745	3.1	91,854
Non-trading financial assets mandatorily at fair value through profit or loss	4,360	0.5	4,337
Financial assets designated at fair value through profit or loss	1,330	30.5	1,019
Financial assets at fair value through accumulated other comprehensive income	59,212	(4.8)	62,202
Financial assets at amortized cost	417,646	(1.0)	421,712
Loans and advances to central banks and credit institutions	17,751	0.2	17,713
Loans and advances to customers	367,986	(1.6)	374,012
Debt securities	31,909	6.4	29,986
Investments in subsidiaries, joint ventures and associates	1,395	(12.2)	1,589
Tangible assets	6,948	(3.4)	7,191
Intangible assets	8,199	(3.1)	8,464
Other assets	48,439	0.1	48,368
Total assets	**685,441**	**(0.6)**	**689,414**
Financial liabilities held for trading	86,767	7.4	80,783
Other financial liabilities designated at fair value through profit or loss	6,075	10.6	5,495
Financial liabilities at amortized cost	497,298	(1.7)	506,118
Deposits from central banks and credit institutions	63,031	(8.6)	68,928
Deposits from customers	360,213	(1.0)	363,689
Debt certificates	60,866	(1.3)	61,649
Other financial liabilities	13,188	11.3	11,851
Liabilities under insurance contracts	9,624	4.3	9,223
Other liabilities	33,854	(4.3)	35,392
Total liabilities	**633,618**	**(0.5)**	**637,010**
Non-controlling interests	6,592	(5.9)	7,008
Accumulated other comprehensive income	(9,201)	3.5	(8,889)
Shareholders' funds	54,432	0.3	54,285
Total equity	**51,823**	**(1.1)**	**52,404**
Total liabilities and equity	**685,441**	**(0.6)**	**689,414**
Memorandum item:			
Guarantees given	47,519	(0.3)	47,668

Loans and advances to customers (Million euros)

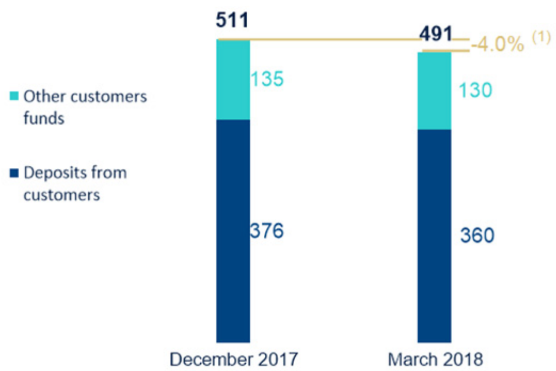
	IFRS 9		IAS 39
	31-03-18	Δ %	31-12-17
Public sector	**28,176**	**(8.0)**	**30,626**
Individuals	**169,541**	**3.5**	**163,873**
Mortgages	101,670	(9.4)	112,274
Consumer	22,449	(30.0)	32,092
Credit cards	13,263	(2.7)	13,630
Other loans	32,159	n.s.	5,877
Business	**165,398**	**(11.3)**	**186,479**
Non-performing loans	**18,569**	**(4.2)**	**19,390**
Loans and advances to customers (gross)	**381,683**	**(4.7)**	**400,369**
Loan-loss provisions	(13,697)	7.4	(12,748)
Loans and advances to customers	**367,986**	**(5.1)**	**387,621**

Loans and advances to customers (gross) (Billion euros)



(1) At constant exchange rates: -3.7%.

Customer funds (Billion euros)



(1) At constant exchange rates: -3.6%.

Customer funds (Million euros)

	IFRS 9		IAS 39
	31-03-18	Δ %	31-12-17
Deposits from customers	**360,213**	**(4.3)**	**376,379**
Of which current accounts	239,358	(0.6)	240,750
Of which time deposits	113,469	(2.0)	115,761
Other customer funds	**130,440**	**(3.3)**	**134,906**
Mutual funds and investment companies	64,327	5.6	60,939
Pension funds	33,604	(1.1)	33,985
Other off-balance sheet funds	2,445	(20.7)	3,081
Customer portfolios	30,064	(18.5)	36,901
Total customer funds	**490,653**	**(4.0)**	**511,285**

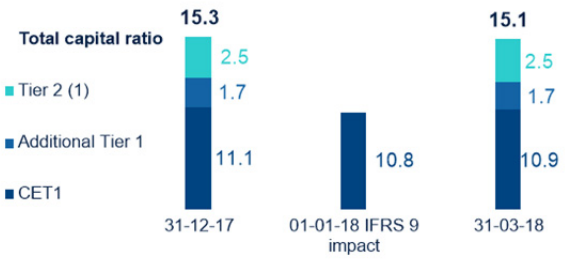
Solvency

Capital base

BBVA's **fully-loaded CET1** ratio stood at 10.9% at the close of March 2018. This ratio includes the -31 basis points impact of the initial application of IFRS 9. Excluding this effect, the ratio increased by 13 basis points, supported by the recurring organic capital generation. In this context the earnings generated in the quarter amounted to 37 basis points of CET 1. The Group has reiterated its goal of a fully-loaded CET1 capital ratio of 11%.

Risk-weighted assets (**RWA**) are slightly down 1.3% since the end of 2017, explained mostly by the depreciation of the currencies against the euro, especially the Turkish lira and U.S. dollar. In March 2018, the Group carried out its second synthetic securitization in which The European Investment Fund (EIF, a subsidiary of the European Investment Bank), issued a financial guarantee on an intermediate tranche of a €1,950m portfolio of loans to SMEs. Thanks to this guarantee, BBVA has released €443m of RWA.

Evolution of fully-loaded capital ratios (1) (Percentage)



(1) It includes the AT2 issuance by Garanti on 2017 and AT2 issuance by Bancomer on the first quarter 2018; pending approval by ECB for the purpose of computability in the Group's ratios.

CET1 fully-loaded CET1 ratio would be 11.5% pro-forma considering the expected positive impact of 57 basis points of impacts from announced corporate transactions pending to be closed (sale of real-estate assets to Cerberus and BBVA Chile).

Capital base (1) (Million euros)

	CRD IV phased-in		CRD IV fully-loaded	
	31-03-18 (1)	31-12-17	31-03-18 (1)	31-12-17
Common Equity Tier 1 (CET 1)	39,877	42,341	38,899	40,061
Tier 1	46,006	46,980	44,794	46,316
Tier 2 (2)	9,032	9,134	9,091	8,891
Total Capital (Tier 1 + Tier 2) (2)	**55,038**	**56,114**	**53,885**	**55,207**
Risk-weighted assets (3)	**358,386**	**361,686**	**356,847**	**361,686**
CET1 (%)	11.1	11.7	10.9	11.1
Tier 1 (%)	12.8	13.0	12.6	12.8
Tier 2 (%) (2)	2.5	2.5	2.5	2.5
Total capital ratio (%) (2)	**15.4**	**15.5**	**15.1**	**15.3**

General note: as of March 31, 2018, the main difference between the phased-in and fully loaded ratios arises from the temporary treatment of the impact of IFRS9 to which the BBVA Group has adhered voluntarily (in accordance with Article 473bis of the CRR).

(1) Preliminary data.

(2) It includes the AT2 issuance by Garanti on 2017 and AT2 issuance by Bancomer on the first quarter 2018; pending approval by ECB for the purpose of computability in the Group's ratios.

(3) It includes update of the calculation on Structural FX RWA, pending confirmation by ECB.

Regarding the issuance of capital, at the Tier 1 level, the Group has begun to compute its USD 1 billion AT1 capital issuance in November 2017, and no longer compute the AT1 USD 1.5 billion issuance that took place in May 2013, which it will be cancelled early as it has already been announced to the market. At the Tier 2 level, BBVA Bancomer issued USD 1 billion in January 2018.

Moreover, the Group completed a new senior non-preferred debt issuance of €1.5 billion, which will be used to meet the requirements of MREL (minimum required eligible liabilities), still pending definition by the supervisor.

As regards shareholder remuneration, on April 10, BBVA paid the final cash dividend against 2017 earnings (already included in the December 2017 capital adequacy ratios), amounting to €0.15 gross per share. This payment has had an impact of 15 basis points on CET 1.

As of 31-Mar-2018, the **phased-in CET1** ratio stood at 11.1%, taking into account the impact of the initial implementation of IFRS 9, in this context The European Commission and Parliament have established temporary arrangements that are voluntary for the institutions, adapting the impact of IFRS 9 on capital ratios. BBVA has informed the supervisory body of its adherence to these arrangements. **Tier 1** capital stood at 12.8% and **Tier 2** at 2.5%, including Garanti's issuance of USD 750 million of AT2 at the close of 2017 and Bancomer's issuance of USD 1.000 billion in the first quarter of 2018, resulting in a **total capital ratio** of 15.4% (15.2% without take into account the two aforementioned issuances). These levels are above the requirements established by the regulator in its SREP letter and the systemic buffers applicable in 2018 by BBVA Group. Since January 1, 2018, the requirement has been established at 8.438% for the phased-in CET1 ratio and 11.938% for the total capital ratio. The change with respect to 2017 is due to the steady implementation of the capital conservation buffers and the capital buffer applicable to other systemically important banks. The regulatory requirement for 2018 in fully-loaded terms remains unchanged (CET1 of 9.25% and total ratio of 12.75%) compared with the previous year.

Finally, the Group maintained a sound **leverage** ratio: 6.4% under fully-loaded criteria (6.6% phased-in), which continues to be the highest in its peer group.

Ratings

BBVA has received several positive ratings so far this year, demonstrating the Group's positive performance and strength. On April 6, S&P raised BBVA's long-term rating to A- from BBB +, with a stable outlook, and on April 12, DBRS raised BBVA's long-term rating to A (high) from A, maintaining the trend at stable. Moody's changed the outlook for BBVA's rating (Baa1) to positive on April 17.

Ratings

Rating agency	Long term	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Stable
Moody's (1)	Baa1	P-2	Positive
Scope Ratings	A+	S-1+	Stable
Standard & Poor's	A-	A-2	Stable

(1) Additionally, Moody's assigns an A3 rating to BBVA's long term deposits.

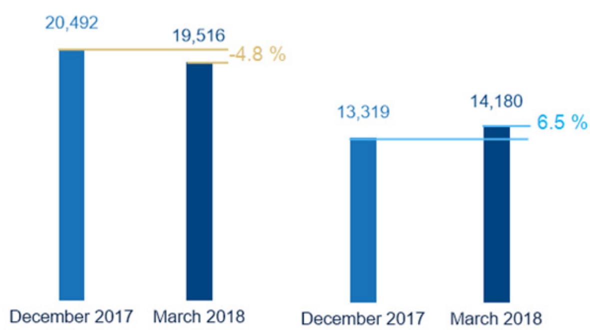
Risk management

Credit risk

At the close of the **first quarter of 2018** BBVA Group's risk metrics continued to perform well:

- Deleveraging of the **credit risk** in the quarter (down 1.7% at current and 1.3% at constant exchange rates), due mainly to Spain. In the rest of geographic areas, there was growth at constant exchange rates: Turkey, up 2.4%; Mexico, up 1.5%; South America, up 1.6%; and the United States, up 0.4%.
- The balance of **non-performing loans** continued to decline, with a quarterly fall, 4.8% at current exchange rates and 4.1% at constant exchange rates. The positive performance in Banking Activity Spain and Non Core Real Estate stands out; on the other hand, South America (7.7% at constant exchange rates) was impacted by the evolution of some retail portfolios and specific customers, and to a lesser extent, in Turkey (0.4% at constant exchange rates) due to the impact of wholesale customers impairment. Positive performance in other geographies.
- As a result, the Group's **NPL ratio** improved in the first three months of the year to 4.4% as of 31-Mar-2018, a fall of 16 basis points in constant terms with respect December 2017.
- **Provisions** increased by 6.5% over the quarter (up 7.3% at constant exchange rates), so the NPL coverage ratio closed at 73%, one percentage point above the figure resulting from the application of IFRS 9 to the figure as of January 1, 2018.
- Lastly, the cumulative **cost of risk** through March 2018 was 0.85%, 2 basis points down on the figure for 2017.

Non-performing loans and provisions (Million euros)



Credit risks (1) (Million euros)

	31-03-18 (2)	31-12-17
Credit risks	442,446	461,303
Non-performing loans	19,516	20,492
Provisions	14,180	13,319
NPL ratio (%)	**4.4**	**4.6**
NPL coverage ratio (%)	**73**	**65**

(1) Include gross loans and advances to customers plus guarantees givens.
(2) Figures without considering the classification of non-current assets held for sale.

Structural risks

Liquidity and funding

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

A core **principle** in BBVA's management of the Group's liquidity and funding is the financial independence of its banking subsidiaries abroad. This principle prevents the propagation of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity is correctly reflected in the price formation process.

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

- In the Eurozone, the liquidity situation is still comfortable and the credit gap stable.
- In Mexico, the liquidity position is sound, despite market volatility. The credit gap has widened, as expected, due to the outflow of deposits corresponding to the seasonal collection at the close of 2017.
- In the United States, the liquidity situation is good. Stability of the credit gap due to the moderate growth in lending.
- The liquidity situation in Turkey is comfortable, with a slight increase in the credit gap as a result of lending growing faster than deposits, spurred to the strong commercial dynamics.
- In South America, the liquidity situation remains comfortable, deposits growing faster than lending, leading to a reduction of wholesale funding.

On the **funding** side, the long-term wholesale funding markets in the geographic areas where the Group operates continued to be stable. The performance of short-term funding remained positive, in a highly liquid environment.

The entities in the BBVA group carried out the following **operations**:

- BBVA S.A. completed an issuance of senior non-preferred debt, the Group's second of this type, for €1.5 billion, with a floating coupon at 3-month Euribor plus 60 basis points and a maturity of five years.
- In Mexico, BBVA Bancomer carried out an international issuance of subordinated Tier 2 debt of $1 billion. The instrument was issued at a price equivalent to Treasury bonds plus 265 basis points at a maturity of 15 years, with a ten-year call (BBVA Bancomer 15NC10).
- In South America, BBVA Chile issued senior debt on the local market for an equivalent of €288m, in a variety of issuances with maturities ranging from four to six years.

As a result, the liquidity coverage ratio (LCR) in BBVA Group remained comfortably above 100% in the first quarter of 2018, without including any transfers between subsidiaries; in other words, no kind of excess liquidity levels in the subsidiaries abroad is considered in the calculation of the consolidated ratio. As of March 31, 2018, the LCR stood at 126%. Although this requirement is only established at Group level, the minimum level is easily exceeded in all the subsidiaries (Eurozone, 150%; Mexico, 148%; Turkey, 136%; and the United States, 141%).

Foreign exchange

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

The first quarter of **2018** was notable for the appreciation against the euro of the Mexican peso (up 5.0%) and the depreciation of the rest of the main currencies in the geographic areas where the Group operates: the U.S. dollar down 2.7% and the Turkish lira down 7.2%. BBVA has maintained its policy of actively hedging its main investments in emerging countries, covering on average between 30% and 50% of the earnings for the year and around 70% of the excess of CET1 capital ratio (which is not naturally covered by the ratio itself). In accordance with this policy, the sensitivity of the CET1 ratio to a depreciation of 10% of the main emerging currencies (Mexican peso or Turkish lira) against the euro remains at around two negative basis points for each of these currencies. Given the geopolitical context, the coverage level of the expected earnings for 2018 has increased to around 70% in Mexico and 50% in Turkey.

Interest rates

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

The Group's banks have fixed-income portfolios to manage the balance-sheet structure. In the first quarter of **2018**, the results of this management were satisfactory, with limited risk strategies in all the Group's banks.

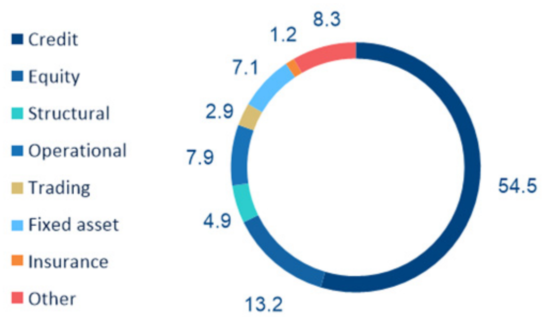
Finally, the following is worth noting with respect to the **monetary policies** pursued by the different central banks in the main geographical areas where BBVA operates:

- No relevant changes in the Eurozone, where interest rates remain at 0% and the deposit facility rate at -0.40%.
- In the United States the upward trend in interest rates continues. The latest hike left the rate at 1.75%.
- In Mexico, Banxico's latest increase has left the monetary policy rate at 7.50%.
- In Turkey, there were no changes in the first quarter. Following the rises in 2017, the average funding rate of the Central Bank of Turkey (CBRT) has remained at 12.75%.
- In South America, the monetary authorities continued their expansive policies, lowering rates in Peru (50 basis points), Argentina (150 basis points) and Colombia (25 basis points).

Economic and regulatory capital

Consumption of economic risk capital (ERC) at the close of February 2018, in consolidated terms, was €33,443m, equivalent to a decline over the quarter of 2.8% (down 2.3% at constant exchange rates). The reduction was focused on fixed-asset and fixed-income spread risk, in the latter case due to the reduction of exposure to the risk.

Attributable economic risk capital breakdown (Percentage as of March 2018)



The BBVA share

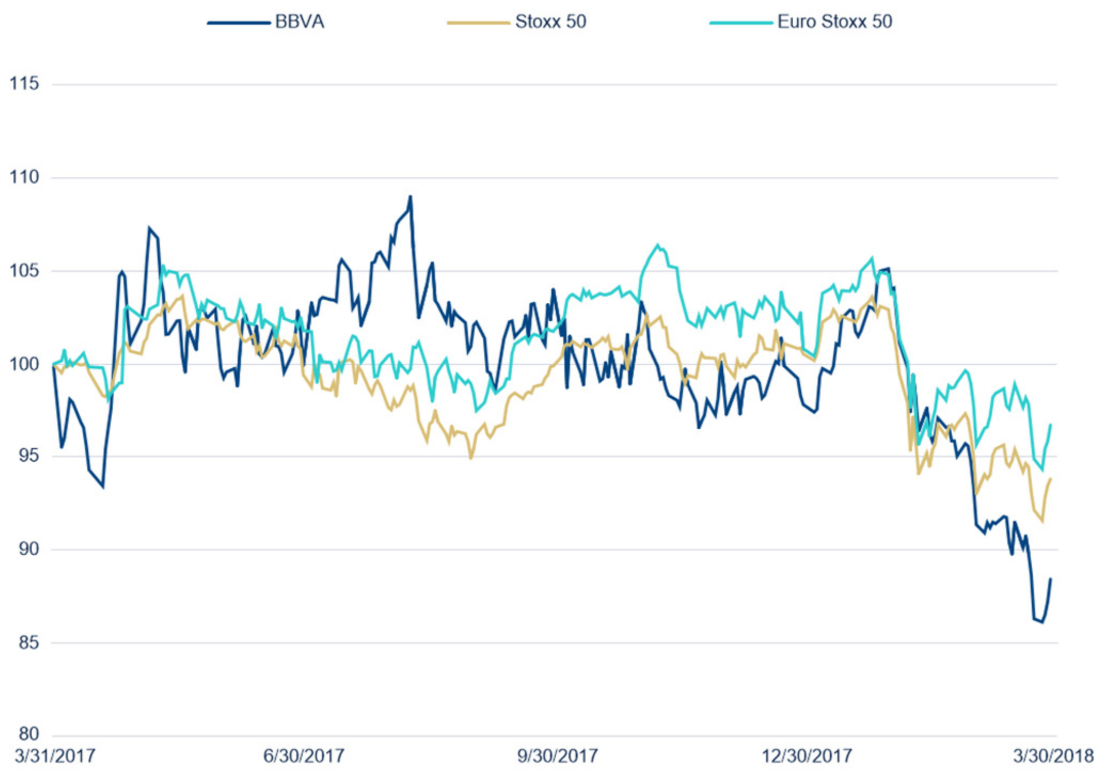
Global growth has been stable, in line with the start of 2018, although with greater dynamism in emerging economies and some signs of moderation in developed countries. The economic indicators for the first quarter of the year show global growth to be around a quarterly 1%, similar to the figure recorded during 2017. Economic activity continues to benefit from the good performance of global trade and the solid expansion of industrial output. However, confidence indicators appear to have reached a high, with little room for greater optimism, above all in manufacturing industry. Together with a moderation in retail sales, these factors suggest that recovery in consumption will take more time.

Most **stock-market indices** posted losses in the first half of the year. In Europe, the Stoxx 50 and the Euro Stoxx 50 fell by 6.7% and 4.1% respectively, while in Spain, the Ibex 35 lost 4.4%. The falls were smaller in the United States, where the S&P index lost 1.2% in the last three months.

In Europe, the **banking sector** also posted losses between December 2017 and March 2018, although it performed relatively better than the general market indices. The European Stoxx Banks index, which includes British banks, lost 5.9%, while the Eurozone bank index, the Euro Stoxx Banks, lost 3.7%. In contrast, in the United States the S&P Regional Banks index gained 2.6% compared to the close of 2017.

The **BBVA share** closed March at €6.43, a fall of 9.6% over the quarter.

BBVA share evolution compared with European indices (Base indice 100=31-03-2017)



The BBVA share and share performance ratios

	31-03-18	31-12-17
Number of shareholders	890,146	891,453
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	26,731,574	35,820,623
Daily average trading (million euros)	185	252
Maximum price (euros)	7.73	7.93
Minimum price (euros)	6.21	5.92
Closing price (euros)	6.43	7.11
Book value per share (euros)	6.81	6.96
Tangible book value per share (euros)	5.58	5.69
Market capitalization (million euros)	42,868	47,422
Yield (dividend/price; %) (1)	3.4	4.2

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

Regarding **shareholder remuneration**, in accordance with the resolution of the Annual General Meeting held on March 16, 2018, a cash payment of €0.15 gross per share was made on April 10, corresponding to the final dividend for 2017. For 2018, subject to the appropriate approval from the corresponding corporate bodies, BBVA plans to make a cash dividend payment in October 2018 and April 2019, pursuant to its shareholder remuneration policy announced by publication of a Significant Event on February 1, 2017.

Shareholder remuneration (Euros gross/share)

As of December 31, 2017, the number of BBVA **shares** was 6,668 million, and the number of **shareholders** was 890,146. By type of investor, residents in Spain held 44.2% of the share capital, while the remaining 55.8% was owned by non-resident shareholders.

Shareholder structure (31-03-2018)

	Shareholders		Shares	
Number of shares	Number	%	Number	%
Up to 150	182,313	20.5	13,020,118	0.2
151 to 450	181,483	20.4	49,653,847	0.7
451 to 1800	280,184	31.5	273,013,938	4.1
1,801 to 4,500	129,109	14.5	367,903,641	5.5
4,501 to 9,000	60,272	6.8	379,933,611	5.7
9,001 to 45,000	50,337	5.7	876,385,289	13.1
More than 45,001	6,448	0.7	4,707,976,136	70.6
Total	**890,146**	**100.0**	**6,667,886,580**	**100.0**

BBVA **shares** are included on the main stock-market indices, including the Ibex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 8.4%, 1.9% and 1.2% respectively. They also form part of several sector indices, including the Euro Stoxx Banks, with a weighting of 8.1%, and the Stoxx Banks, with a weighting of 4.1%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indices** or ESG (environmental, social and governance) indices, which evaluate the performance of companies in this area, as summarized in the table below.

Sustainability indices on which BBVA is listed as of 31-03-2018	
MSCI 2017 Constituent MSCI ESG Leaders Indexes (1)	Listed on the MSCI ESG Leaders Indexes AAA Rating
FTSE4Good	Listed on the FTSE4Good Global, FTSE4Good Europe and FTSE4Good IBEX Indexes
EURONEXT vigeo eiris INDICES	Listed on the Euronext Vigeo Eurozone 120 and Europe 120
member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE	Listed on the Ethibel Excellence Investment Register
CDP DRIVING SUSTAINABLE ECONOMIES	In 2017, BBVA obtained a "C" rating

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

Business areas

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

In 2018 the **reporting structure** of BBVA Group's business areas remained basically the same as in 2017. It is worth noting that BBVA announced the signing of two agreements, one for the sale of BBVA Chile to The Bank of Nova Scotia (Scotiabank) and another for the creation of a joint venture to which BBVA's real-estate business in Spain will be transferred for the subsequent sale of 80% of the company created to a subsidiary of Cerberus Capital Management, L.P. (Cerberus). For the purpose of the explanations given in this report, the figures for Non Core Real Estate and South America are shown on a comparable basis with previous periods, even though within the balance sheet of the consolidated Group, the operations underway that are mentioned above have been reclassified as non-current assets and liabilities held for sale. The Group's business areas are summarized below:

- **Banking activity in Spain** includes the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.
- **Non Core Real Estate** covers specialist management in Spain of loans to developers in difficulties and real-estate assets mainly coming from foreclosed assets, originated from both, residential mortgages, as well as loans to developers. New loan production to developers or loans that are not in difficulties are managed by Banking activity in Spain.
- **The United States** includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.
- **Mexico** basically includes all the banking and insurance businesses carried out by the Group in the country. Since 2018 it has also included the BBVA Bancomer branch in Houston (in previous years located in the United States). Consequently, the figures from previous years have been reworked to incorporate this change and show comparable series.
- **Turkey** includes the activity of the Garanti group.
- **South America** basically includes BBVA's banking and insurance businesses in the region.
- **The rest of Eurasia** includes the Group's retail and wholesale business activity in the rest of Europe and Asia.

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

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

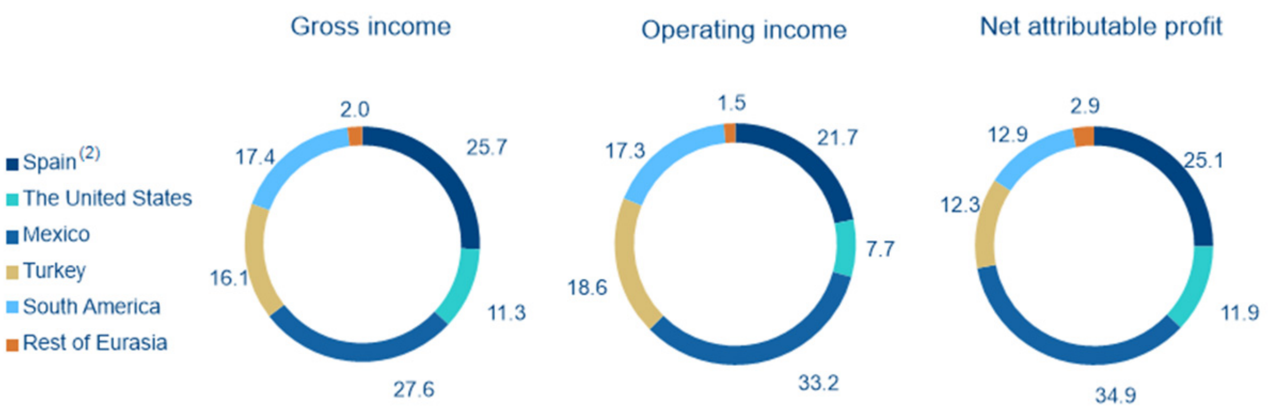
As usual, in the case of the Americas and Turkey areas, the results of applying constant exchange rates are given in addition to the year-on-year variations at current exchange rates.

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

Major income statement items by business area (Million euros)

	BBVA Group	Business areas: Banking activity in Spain	Non Core Real Estate	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center and other
1Q18										
Net interest income	4,288	921	7	524	1,317	753	792	43	4,356	(68)
Gross income	6,096	1,596	(3)	699	1,711	996	1,079	126	6,202	(106)
Operating income	3,117	773	(24)	264	1,144	642	595	53	3,447	(330)
Profit/(loss) before tax	2,237	616	(32)	251	788	520	417	69	2,630	(393)
Net attributable profit	1,340	437	(27)	195	571	201	210	47	1,636	(295)
1Q17										
Net interest income	4,322	935	10	526	1,297	812	807	46	4,433	(110)
Gross income	6,383	1,676	(21)	722	1,720	976	1,104	135	6,313	70
Operating income	3,246	818	(47)	254	1,144	588	573	56	3,385	(139)
Profit/(loss) before tax	2,065	523	(137)	177	736	483	369	58	2,210	(145)
Net attributable profit	1,199	372	(106)	129	541	160	185	40	1,321	(122)

Gross income(1), operating income(1) and net attributable profit breakdown(1) (Percentage. 1st Quarter)



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

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

		Business areas									
	BBVA Group	Banking activity in Spain	Non Core Real Estate	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center and other	AyPNCV variation (1)
31-03-18											
Loans and advances to customers	367,986	167,524	1,391	52,721	47,247	49,751	48,400	13,988	381,022	-	(13,036)
Deposits from customers	360,213	169,096	10	58,431	47,522	43,246	45,230	5,425	368,959	-	(8,746)
Off-balance sheet funds	100,376	63,048	4	-	20,033	3,861	13,024	390	100,360	16	-
Total assets/liabilities and equity	685,441	322,929	9,186	72,280	93,275	74,389	71,969	16,749	660,777	24,664	-
Risk-weighted assets	356,847	103,229	9,272	57,262	47,769	60,936	55,718	14,907	349,094	7,753	-
31-12-17											
Loans and advances to customers	387,621	183,172	3,521	53,718	45,768	51,378	48,272	14,864	400,693	-	(13,072)
Deposits from customers	376,379	177,763	13	60,806	49,964	44,691	45,666	6,700	385,604	-	(9,225)
Off-balance sheet funds	98,005	62,054	4	-	19,472	3,902	12,197	376	98,005	-	-
Total assets/liabilities and equity	690,059	319,417	9,714	75,775	94,061	78,694	74,636	17,265	669,562	20,497	-
Risk-weighted assets	361,686	108,093	9,692	58,688	44,941	62,768	55,975	15,150	355,307	6,379	-

(1) Includes non-current assets and liabilities held for sale (AyPNCV for its acronym in Spanish) of the BBVA Chile and real estate operations.

Interest rates (Quarterly averages. Percentage)

	2018	2017			
	1Q	4Q	3Q	2Q	1Q
Official ECB rate	0.00	0.00	0.00	0.00	0.00
Euribor 3 months	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)
Euribor 1 year	(0.19)	(0.19)	(0.16)	(0.13)	(0.10)
USA Federal rates	1.58	1.30	1.25	1.05	0.80
TIIE (Mexico)	7.84	7.42	7.37	7.04	6.41
CBRT (Turkey)	12.75	12.17	11.97	11.80	10.10

Exchange rates (Expressed in currency/euro)

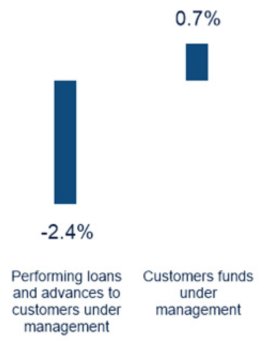
	Year-end exchange rates			Average exchange rates	
	31-03-18	Δ % on 31-03-17	Δ % on 31-12-17	1Q18	Δ % on 1Q17
Mexican peso	22.5251	(11.1)	5.0	23.0372	(6.2)
U.S. dollar	1.2321	(13.2)	(2.7)	1.2292	(13.4)
Argentine peso	24.8188	(33.7)	(9.0)	24.1908	(31.0)
Chilean peso	745.71	(5.0)	(1.0)	740.19	(5.7)
Colombian peso	3,424.66	(10.2)	4.7	3,508.77	(11.2)
Peruvian sol	3.9776	(12.7)	(2.4)	3.9786	(12.0)
Venezuelan bolivar	62,500.00	(95.0)	(70.9)	62,500.00	(95.0)
Turkish lira	4.8976	(20.6)	(7.2)	4.6899	(16.0)

Banking activity in Spain

Highlights

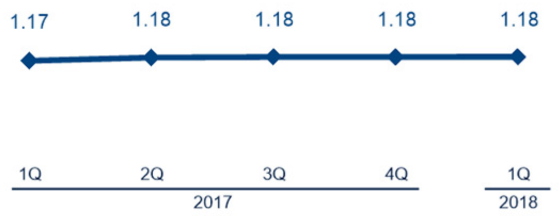
- **Activity impacted by seasonality.**
- **Good performance of net fees and commissions.**
- **Improvement of efficiency due to the continuous reduction of expenses.**
- **Lower impairments, solid asset-quality indicators.**

Business activity[(1)] (Year on year change. Data as of 31-03-2018)

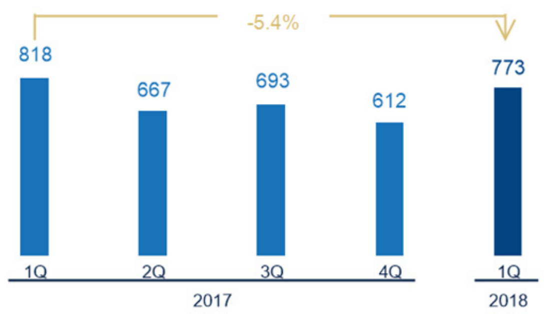


(1) Excluding repos.

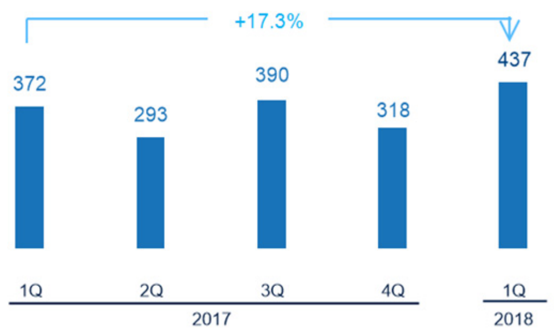
Net interest income/ATAs (Percentage)



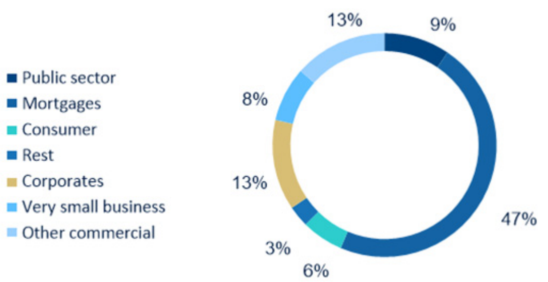
Operating income (Million euros)



Net attributable profit (Million euros)

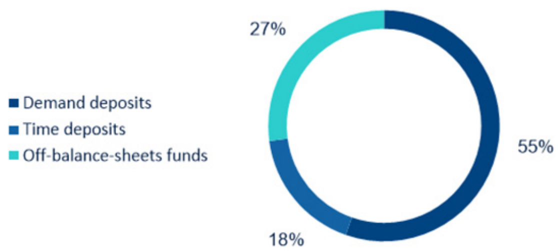


Breakdown of performing loans under management [(1)] (31-03-2018)



(1) Excluding repos.

Breakdown of customer funds under management[(1)] (31-03-2018)



(1) Excluding repos.

Macro and industry trends

The Spanish **economy** closed 2017 with a solid growth of 3.1%, reflecting what a still strong domestic demand, despite the political uncertainty. Exports and investment continued to show signs of recovery, although consumption moderated slightly. Overall, both internal fundamentals, related to continued improvements in employment and favorable financial conditions, and external fundamentals, associated with the recovery of global trade, are still sound. They will continue to drive growth in the early months of 2018, although a slight moderation is expected for the year as a whole.

Regarding the Spanish **banking** system and according to data from February 2018 (latest published data) from the Bank of Spain, the total volume of lending to the private sector (household and corporate) continued to decline year-on-year (down 2.4%). However, since August there have been signs of a slight upturn in the total volume of credit in the economy, though the signs are still too weak to confirm that there has been a turning point. Non-performing loans in the sector continued to improve, with their volume down 16.7% year-on-year as of February 2018. As a result, the NPL ratio declined to 7.8% as of February 2018. The system's liquidity position continues to be comfortable: the funding gap (difference between the volume of loans and total deposits) fell to the €105.5 billion, 4.1% of the total balance sheet of the system.

Activity

As of 31-Mar-2018, **lending** (performing loans under management) was down by 2.4% compared to the figure at the end of December 2017, due basically to the reduction in the corporates (down 9.6 %) and in the mortgages (down 1.1%). In contrast, consumer finance remained strong (up 2.2%), influenced by the positive performance of new production, which posted year-on-year growth of 37.7%, according to cumulative figures through March 2018.

In **asset quality**, there was a reduction in the quarter of the balance of non-performing loans in the area, with the NPL ratio falling over the last three months by 15 basis points to 5.4%. The NPL coverage ratio also increased to 57%.

Customer **deposits** under management fell by 3.0% compared to the close of December 2017 (down 2.3% in the last twelve months). By products, there was a further decline in time deposits (down 15.1% in the quarter), strongly focused on the segment of wholesale clients. It was again partially offset by the increase in demand deposits (up 1.6% over the last three months) and off-balance-sheet funds, which retained their positive trend, despite the unfavorable performance of the markets, with year-to-date growth of 1.6%. This performance continued to be largely supported by the growth in mutual funds (up 3.2%).

Results

The year-on-year highlights of the income statement in the area were:

- **Net interest income** in the first quarter declined year-on-year by 1.6% and quarterly by 2.7%. The lower volume of loans and the smaller contribution from wholesale portfolios explains these declines.
- Positive performance of **net fees and commissions** (up 7.8%), which offset the decline in net interest income. It stands out the significant contribution from fees from mutual funds and pensions, whose quarterly growth was 6.4%.
- Lower contribution from **NTI** compared with the same quarter of the previous year (down 26.0%), associated with lower portfolio sales, but an improvement on the figure for the last three months of 2017 (up 3.3%), thanks to the positive performance of the Global Markets unit.
- Reduction in **other income/expenses**. Net earnings from the insurance business grew by 0.5% (up 1.6% over the quarter).
- As a result, there was a decline in **gross income** of 4.8%, although the rise over the quarter was 10.3%.
- **Operating expenses** continued the downward trend observed in previous periods, both over the last twelve months (down 4.2%) and over the quarter (down 1.4%). The **efficiency ratio** closed at 51.5%, below the figure in 2017 (54.9%), and **operating income** fell by 5.4%, although in the quarter was an increase of 26.4%.
- Decline in **impairment losses on financial assets** (down 57.4% year-on-year and down 49.1% over the last three months) explained by lower loan-loss provisions in large customers. As a result, the cumulative cost of risk stood at 0.17% as of 31-Mar-2018.
- Lastly, **provisions (net) and other gains (losses)** were favorable, with a year-on-year decline of 32.5%.

As a result, the net attributable **profit** generated by Banking Activity in Spain in the first quarter of 2018 stood at €437m, a year-on-year increase of 17.3%, strongly influenced by the positive performance of net fees and commissions, operating expenses and loan-loss provisions.

Financial statements and relevant business indicators (Million euros and percentage)

	IFRS 9		IAS 39
Income statement	**1Q18**	**Δ %**	**1Q17**
Net interest income	**921**	**(1.6)**	**935**
Net fees and commissions	412	7.8	382
Net trading income	167	(26.0)	225
Other income and expenses	97	(27.6)	134
of which Insurance activities (1)	108	0.5	108
Gross income	**1,596**	**(4.8)**	**1,676**
Operating expenses	(823)	(4.2)	(859)
Personnel expenses	(473)	(1.4)	(479)
Other administrative expenses	(279)	(6.7)	(299)
Depreciation	(71)	(12.0)	(81)
Operating income	**773**	**(5.4)**	**818**
Impaiment on financial assets not measured at fair value through profit or loss	(70)	(57.4)	(165)
Provisions or reversal of provisions and other results	(87)	(32.5)	(129)
Profit/(loss) before tax	**616**	**17.7**	**523**
Income tax	(178)	18.4	(150)
Profit/(loss) for the year	**438**	**17.3**	**373**
Non-controlling interests	(1)	20.7	(1)
Net attributable profit	**437**	**17.3**	**372**

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

	IFRS 9		IAS 39
Balance sheets	**31-03-18**	**Δ %**	**31-12-17**
Cash, cash balances at central banks and other demand deposits	19,306	43.4	13,463
Financial assets designated at fair value	103,371	30.0	79,501
of which Loans and advances	23,453	n.s.	1,312
Financial assets at amortized cost	192,622	(13.0)	221,391
of which loans and advances to customers	167,524	(8.5)	183,172
Inter-area positions	1,897	5.0	1,806
Tangible assets	970	10.7	877
Other assets	4,764	100.2	2,380
Total assets/liabilities and equity	**322,929**	**1.1**	**319,417**
Financial liabilities held for trading and designated at fair value through profit or loss	70,607	91.8	36,817
Deposits from central banks and credit institutions	42,287	(32.0)	62,226
Deposits from customers	169,096	(4.9)	177,763
Debt certificates	31,680	(4.9)	33,301
Inter-area positions	-	-	-
Other liabilities	268	(31.5)	391
Economic capital allocated	8,991	0.8	8,920

Relevant business indicators	31-03-18	Δ %	31-12-17
Performing loans and advances to customers under management (1)	163,290	(2.4)	167,291
Non-performing loans and guarantees given	10,377	(4.2)	10,833
Customer deposits under management (1)	169,592	(3.0)	174,822
Off-balance sheet funds (2)	63,048	1.6	62,054
Risk-weighted assets	103,229	(4.5)	108,093
Efficiency ratio (%)	51.5		54.9
NPL ratio (%)	5.4		5.5
NPL coverage ratio (%)	57		50
Cost of risk (%)	0.17		0.32

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

Non Core Real Estate

Highlights

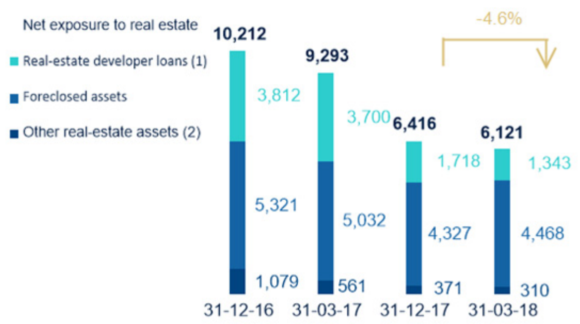
- **Positive trend in the Spanish real-estate market.**
- **Agreement with Cerberus to reduce almost entirely the net real-estate exposure.**
- **Significant reduction in net losses.**

Industry trends

The close of **2017** was positive for the real-estate market:

- **Investment in housing** grew by 2.4% between September and December, above the two previous quarters, according to data from the National Quarterly Accounting office of the National Institute of Statistics (INE).
- **Sales** of homes totaled some 535,000, a rise of 16.1% year-on-year, according to the information from the General Council of Spanish Notaries (CIEN). Job creation, the low cost of finance, household optimism and a smaller than initially expected impact from uncertainty regarding the economic policy as a result of events in Catalonia, have all contributed to this positive performance. As a result, in January 2018 the growth of residential sales was maintained (+11.2% year-on-year).
- The **price** housing increased in the fourth quarter of 2017 by 7.2% year-on-year (INE data), up 0.6 percentage points on the previous quarter.
- The **cost of mortgage lending** remained at relatively low levels, therefore mortgage conditions remain attractive.
- Finally, **construction activity** is still responding to the strength of demand. According to the Ministry of Public Works, nearly 81,000 new housing construction permits were approved in 2017 for housing starts, up 26.2% on 2016. The figure for January 2018 was also positive, with approved permits up by 7.4% year-on-year.

Evolution of Net exposure to real estate (Million euros)



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

(2) Other real-estate assets not originated from foreclosures.

Coverage of real-estate exposure (Million of euros as of 31-03-18)				
	Gross Value	Provisions	Net exposure	% Coverage
Real-estate developer loans (1)	**2,853**	**1,510**	**1,343**	**53**
Performing	**461**	**74**	**387**	**16**
Finished properties	315	47	269	15
Construction in progress	66	9	57	14
Land	72	17	55	24
Without collateral and other	8	1	7	18
NPL	**2,392**	**1,436**	**956**	**60**
Finished properties	1,091	570	521	52
Construction in progress	113	54	59	48
Land	1,006	668	337	66
Without collateral and other	182	143	39	79
Foreclosed assets	**11,541**	**7,073**	**4,468**	**61**
Finished properties	7,036	3,635	3,401	52
Construction in progress	541	365	176	67
Land	3,964	3,073	891	78
Other real-estate assets (2)	**958**	**648**	**310**	**68**
Real-estate exposure	**15,352**	**9,231**	**6,121**	**60**

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

Activity

BBVA is moving forward with the process of closing **the sale** announced in the fourth quarter of 2017. Under the deal, most of BBVA's real-estate business in Spain will be transferred to a company, 80% of whose shares will then be sold to Cerberus in the second half of 2018. Thus, during this period, BBVA continues to manage real-estate assets subject to the agreement according to normal business and control procedures.

Overall, as of 31-Mar-2018, **net exposure** was €6,121m, a decline of 4.6% since December 2017.

Total real-estate exposure, including loans to developers, foreclosures and other assets, had a **coverage ratio** of 60% at the close of March 2018. The coverage ratio of foreclosed assets was 61%.

Non-performing balances fell again, thanks to a decline of new additions to NPL over the quarter. The NPL coverage ratio closed at 60%.

In addition, during the quarter, BBVA placed a public share offering of a total of 11,619,724 shares of its subsidiary **Metrovacesa**, accounting for 26.9% of its stake (7.7% of total capital). After the sale, BBVA's participation in Metrovacesa reduced from 28.51% to 20.85%.

Results

This business area posted a cumulative **loss** of €27m, which compares with a loss of €106m in the same period the previous year.

Financial statements (Million euros)

Income statement	IFRS 9 1Q18	Δ %	IAS 39 1Q17
Net interest income	**7**	**(27.9)**	**10**
Net fees and commissions	0	(71.3)	2
Net trading income	1	n.s.	(0)
Other income and expenses	(11)	(65.2)	(32)
Gross income	**(3)**	**(84.6)**	**(21)**
Operating expenses	(20)	(21.1)	(26)
Personnel expenses	(13)	1.9	(12)
Other administrative expenses	(6)	(13.9)	(7)
Depreciation	(2)	(72.2)	(7)
Operating income	**(24)**	**(49.6)**	**(47)**
Impaiment on financial assets not measured at fair value through profit or loss	(55)	n.s.	(4)
Provisions or reversal of provisions and other results	47	n.s.	(86)
Profit/(loss) before tax	**(32)**	**(76.9)**	**(137)**
Income tax	5	(83.8)	31
Profit/(loss) for the year	**(27)**	**(74.9)**	**(106)**
Non-controlling interests	-	-	-
Net attributable profit	**(27)**	**(75.0)**	**(106)**

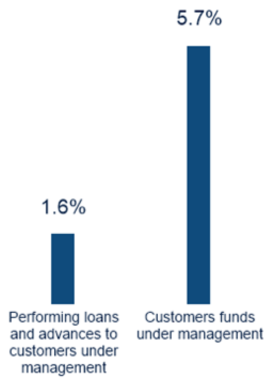
Balance sheet	IFRS 9 31-03-18	Δ %	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	10	(14.0)	12
Financial assets designated at fair value	1,649	n.s.	9
of which Loans and advances	1,663	n.s.	-
Financial assets at amortized cost	1,396	(60.3)	3,521
of which loans and advances to customers	1,391	(60.5)	3,521
Inter-area positions	-	-	-
Tangible assets	6	n.s.	-
Other assets	6,124	(0.8)	6,172
Total assets/liabilities and equity	**9,186**	**(5.4)**	**9,714**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	102	n.s.	-
Deposits from customers	10	(19.3)	13
Debt certificates	750	(4.5)	785
Inter-area positions	5,323	(7.8)	5,775
Other liabilities	-	-	-
Economic capital allocated	3,001	(4.5)	3,141
Memorandum item:			
Risk-weighted assets	9,272	(4.3)	9,692

The United States

Highlights

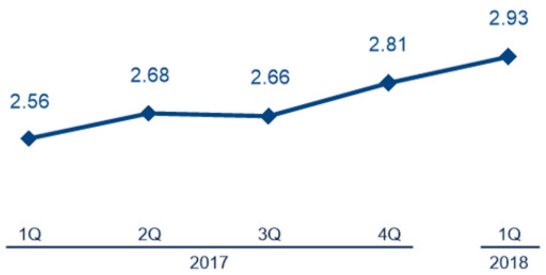
- **Lending growth supported by consumer loans.**
- **Positive performance of net interest income. Lower provisions.**
- **Improvement of efficiency.**
- **Net attributable profit affected by the tax reform at the end of 2017.**

Business activity [1] (Year on year change at constant exchange rate. Data as of 31-03-2018)

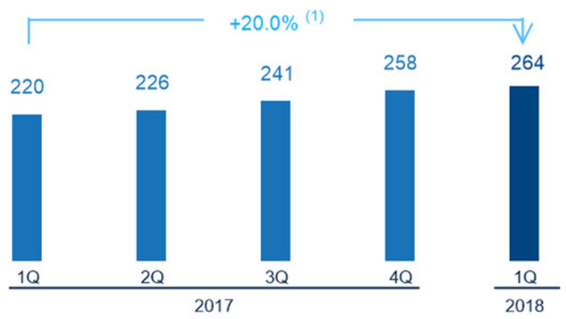


(1) Excluding repos.

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

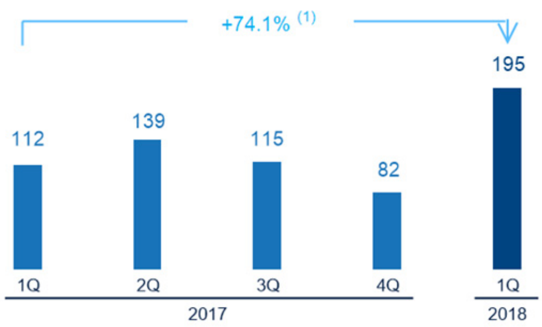


Operating income (Million euros at constant exchange rate)



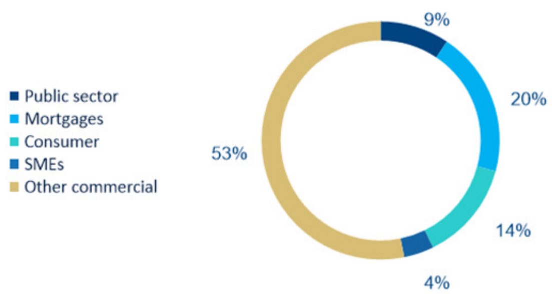
(1) At current exchange rate: 4.0%.

Net attributable profit (Million euros at constant exchange rate)



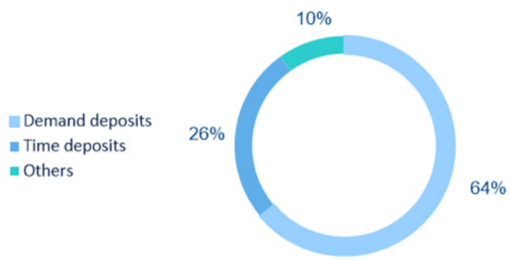
(1) At current Exchange rate: 50.9%.

Breakdown of performing loans under management [1] (31-03-2018)



(1) Excluding repos.

Breakdown of customer funds under management [1] (31-03-2018)



(1) Excluding repos.

Macro and industry trends

According to the latest available information from the Bureau of Economic Analysis (BEA), U.S. **GDP** grew by 2.3% in 2017, driven by investment and, above all, by strong private consumption. Increased consumer confidence had a positive impact on the figures for business activity and foreign trade at the start of 2018, adding to the positive short-term effects of a more expansive fiscal policy.

Stronger domestic demand and the depreciation of the **dollar** worldwide have driven prices and wages up, although inflation still remains under control. Against this backdrop, the Federal Reserve (Fed) has continued with the process of normalizing monetary policy, with further hikes in the base rate to 1.75%. The trend of gradual normalization is expected to continue in 2018. Despite the fact that economic fundamentals early in the year could suggest the dollar should show gains, recent increased uncertainty and financial volatility, which may be associated with fears of a higher fiscal deficit and recent protectionist measures, continue to depreciate the value of the U.S. currency.

The general situation of the country's **banking system** is still very positive. According to the latest available data from the Fed through February 2018, the total volume of bank credit in the system increased by 3.7% over the last twelve months, with growth in all the main portfolios. At the same time, deposits fell slightly year-on-year by 1.3%. Lastly, non-performing loans remained under control, with an NPL ratio of 1.8% at the end of the fourth quarter of 2017, practically the same figure as in the previous quarter.

Activity

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

Lending activity in the area (performing loans under management) it remains stable (-0.2% in the quarter, + 1.6% year-on-year). By portfolio, higher interest rates led to a decline in mortgages and loans to developers (construction real estate). In contrast, consumer loans , which have higher margins and are therefore more profitable, increased by 7.4% since the end of the previous year (+13.6% year-on-year).

With respect to **asset quality**, risk indicators in the area continued to be solid. The NPL ratio remained at 1.2%. The coverage ratio closed the quarter at 98% (104% as of 31-Dec-2017).

With regard to the Customer **deposits** under management, they showed a decrease of 1.1% in comparison to the figure of December 2017, although they experienced a year-on-year increase of 5.7%, thanks to deposit-gathering campaigns launched in 2017.

Results

The United States generated a cumulative net attributable **profit** through March 2018 of €195m, up 74.1% on the same period last year, due mainly to the increase in net interest income, lower provisions and lower tax expenses as a result of a reduction in the effective tax rate following the tax reform approved in the last quarter of 2017. Also worth noting are the following:

- **Net interest income** continued to perform positively, with the cumulative figure up by 15.0% year-on-year and 3.6% with respect to the fourth quarter of 2017. This was due partly to the Fed's interest-rate hikes, but also the strategic measures adopted by BBVA Compass to improve loan yields (boosting consumer finance) and reduce the cost of deposits (improvement in the deposit mix and wholesale funding).
- **Net fees and commissions** declined by 2.4% with respect to the same quarter of last year, due to a lower sums from markets, investment banking and money transfers; However, there was an increase of 1.1% over the last three months.
- **NTI** was down by 14.6% on the figure for the first three months of the previous year, due to lower gains from exchange rates and derivatives.
- Improvement in **operating expenses**, which fell by 3.2% over the quarter, basically due that in the previous quarter included additional expenses for digital transformation.

- **Impairment losses on financial assets** fell by 67.9% in the last twelve months and 52.7% over the quarter, due to the lower provisioning requirements in retail portfolios affected by hurricanes in 2017. As a result, the cumulative cost of risk through 31-Mar-2018 declined to 0.16%.

Financial statements and relevant business indicators (Million euros and percentage)

	IFRS 9			IAS 39
Income statement	**1Q18**	**Δ %**	**Δ % [1]**	**1Q17**
Net interest income	**524**	**(0.4)**	**15.0**	**526**
Net fees and commissions	148	(15.4)	(2.4)	175
Net trading income	24	(26.0)	(14.6)	33
Other income and expenses	3	n.s.	n.s.	(12)
Gross income	**699**	**(3.2)**	**11.8**	**722**
Operating expenses	(435)	(7.1)	7.3	(468)
Personnel expenses	(252)	(6.5)	8.0	(269)
Other administrative expenses	(141)	(6.3)	8.2	(150)
Depreciation	(42)	(12.9)	0.6	(48)
Operating income	**264**	**4.0**	**20.0**	**254**
Impaiment on financial assets not measured at fair value through profit or loss	(20)	(72.2)	(67.9)	(73)
Provisions or reversal of provisions and other results	8	n.s.	n.s.	(4)
Profit/(loss) before tax	**251**	**42.3**	**64.3**	**177**
Income tax	(56)	18.9	37.3	(47)
Profit/(loss) for the year	**195**	**50.9**	**74.1**	**129**
Non-controlling interests	-	-	-	-
Net attributable profit	**195**	**50.9**	**74.1**	**129**

	IFRS 9			IAS 39
Balance sheets	**31-03-18**	**Δ %**	**Δ % [1]**	**31-12-17**
Cash, cash balances at central banks and other demand deposits	4,890	(31.5)	(29.6)	7,138
Financial assets designated at fair value	10,012	(9.5)	(7.1)	11,068
of which Loans and advances	62	10.8	13.9	56
Financial assets at amortized cost	54,468	(0.4)	2.3	54,705
of which loans and advances to customers	52,721	(1.9)	0.8	53,718
Inter-area positions	-	-	-	-
Tangible assets	633	(3.8)	(1.2)	658
Other assets	2,276	3.1	6.0	2,207
Total assets/liabilities and equity	**72,280**	**(4.6)**	**(2.0)**	**75,775**
Financial liabilities held for trading and designated at fair value through profit or loss	172	23.4	26.8	139
Deposits from central banks and credit institutions	3,060	(14.5)	(12.2)	3,580
Deposits from customers	58,431	(3.9)	(1.3)	60,806
Debt certificates	1,940	(3.8)	(1.2)	2,017
Inter-area positions	1,116	0.6	3.4	1,110
Other liabilities	4,929	(9.2)	(6.8)	5,431
Economic capital allocated	2,631	(2.3)	0.4	2,693

Relevant business indicators	31-03-18	Δ %	Δ % [1]	31-12-17
Performing loans and advances to customers under management [2]	52,501	(2.8)	(0.2)	54,036
Non-performing loans and guarantees given	654	(6.1)	(3.6)	696
Customer deposits under management [2]	58,522	(3.8)	(1.1)	60,806
Off-balance sheet funds [3]	-	-	-	-
Risk-weighted assets	57,262	(2.4)	0.2	58,688
Efficiency ratio (%)	62.2			64.4
NPL ratio (%)	1.2			1.2
NPL coverage ratio (%)	98			104
Cost of risk (%)	0.16			0.43

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

Mexico

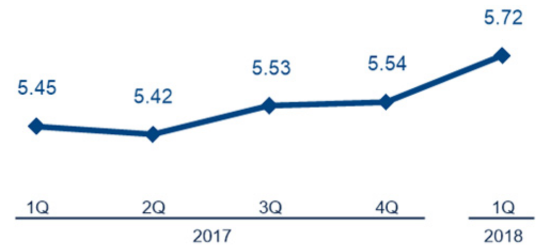
Highlights

- **In activity, sound growth of retail portfolios.**
- **Expenses growth remains below the gross income.**
- **Double-digit year-on-year growth in net attributable profit.**
- **Asset quality indicators continue improving.**

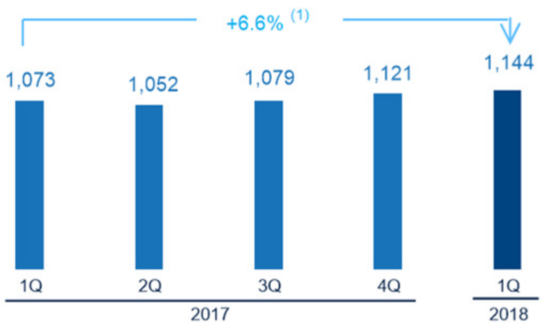
Business activity [(1)] (Year on year change at constant exchange rate. Data as of 31-03-2018)

(1) Excluding repos.

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

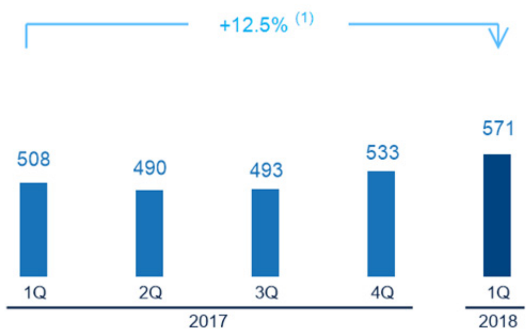


Operating income
(Million euros at constant exchange rate)



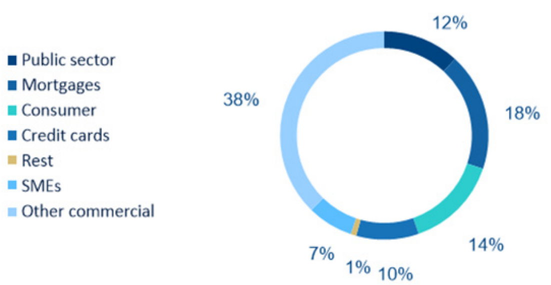
(1) At current exchange rate: 0.0%.

Net attributable profit
(Million euros at constant exchange rate)



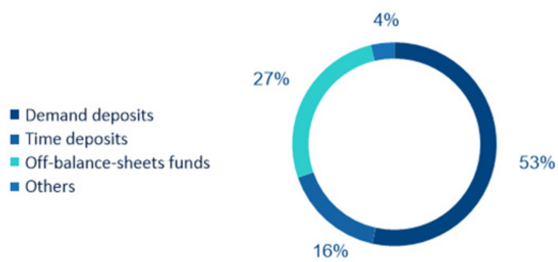
(1) At current exchange rate: 5.5%.

Breakdown of performing loans under management [(1)] (31-03-2018)



(1) Excluding repos.

Breakdown of customer funds under management [(1)] (31-03-2018)



(1) Excluding repos.

Macro and industry trends

The **activity** of Mexico closed 2017 with an average growth of 2.0%. After the negative effect of natural disasters in the third quarter, there was a recovery in the fourth. On the demand side, exports of manufactured goods and, above all, consumption were the most dynamic components. They are expected to continue to be so during this year, despite the uncertainty regarding the results of the elections, and about the NAFTA negotiations.

Inflation slowed during the initial months of 2018, following the strong increase registered in 2017. This behavior explains the recently contained depreciation of the peso against the euro, which eases the pressure on prices and suggest that further interest-rate hikes by Banxico will not be necessary.

For yet another quarter, the Mexican **banking system** showed excellent levels of solvency and asset quality. According to the latest available information from the National Banking Commission and Securities (CNBV) in February 2018, activity remained as strong as in previous quarters, with annual growth in the volume of deposits and lending at 9.6% and 10.6%, respectively. Finally, the NPL ratio was stable (2.2%) and there was a slight reduction in the NPL coverage ratio (151%).

Activity

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

Lending (performing loans under management) remained flat in the area during the first quarter of 2018 (up 0.5% from December 2017), showing a year-on-year rise of 4.8%. BBVA in Mexico continued to maintain its leadership position in the country, with a market share of 22.6% in performing loans, according to local figures from the CNBV at the close of February 2018.

With respect to its composition, according to data for the close of the first quarter of 2018, the relative weight of the wholesale and retail businesses remains unchanged, at approximately 50% each. The **wholesale portfolio** reported a year-on-year increase of 2.7%, but a decline of 3.5% in the quarter, as a result of the high level of uncertainty in the country regarding the results of the upcoming elections. The **retail portfolio** grew by 2.7% in the quarter (up 7.7% year-on-year), strongly supported by auto loans, which rose by 1.2% between January and March 2018 (up 5.5% year-on-year). Lastly, credit cards increased by 5.2% year-on-year.

This trend has been accompanied by an improvement in asset **quality** indicators. The NPL and NPL coverage ratios closed the quarter at 2.1% and 153% respectively. The growth in the NPL coverage ratio was basically due to the increase in provisions, as a result of the effects of the initial implementation of IFRS 9.

Total customer **funds** (customer deposits under management, mutual funds and other off-balance-sheet funds) showed a quarterly decline of 2.6%, but a rise of 7.6% year-on-year, mostly explained by time deposits (down 0.6% over the quarter, but up 18.8% year-on-year), as demand deposits maintained their positive trend, with growth of 4.1% over the year. BBVA in Mexico has a profitable funding *mix*, with low-cost deposits accounting for around 70% of total customer deposits under management. Lastly, mutual funds increased by 1.9% between January and March 2018 (up 11.1% year-on-year).

Results

The highlights of the income statement for Mexico for the first quarter of 2018 are summarized below:

- Positive performance of **net interest income**, which increased 8.2% year-on-year, driven primarily by greater volumes of activity.
- Good performance of **net fees and commissions**, with growth of 6.3% over the last twelve months. They remained strongly influenced by an increased volume of transactions with credit card customers, mutual funds, investment banking activities, and fees coming from online banking.
- **NTI** the positive results derived from the valuation of the ALCO portfolios, is tarnished by the high revenues of the Global Markets Unit registered in the first quarter of 2017, leading to a decrease of -1.0% on the year-on-year comparison.
- In **other income/expenses** the comparison was also negative year-on-year (down 30.6%), mainly explained by an extraordinary income from insurance activity in the first quarter of 2017.
- **Operating expenses** continued to grow at a controlled pace (up 4.8% year-on-year) and below the area's **gross income** growth of 6.0%. As a result, the efficiency ratio has continued to improve and stood at 33.1% at the close of the first quarter of the year.

- Good risk management has been reflected in the 0.6% decline in **impairment losses on financial assets**. As a result the cumulative cost of risk in the area closed at 3.18% from 3.24% as of December 2017.
- **Other gains (losses)** included the extraordinary income from the sale of BBVA Bancomer's stake in a real-estate development.

Overall, BBVA in Mexico posted a net attributable **profit** in the first quarter of €571m, a year-on-year increase of 12.5%.

Financial statements and relevant business indicators (Million euros and percentage)

	IFRS 9			IAS 39
Income statement	**1Q18**	**Δ %**	**Δ % (1)**	**1Q17**
Net interest income	**1,317**	**1.6**	**8.2**	**1,297**
Net fees and commissions	281	(0.3)	6.3	282
Net trading income	67	(7.1)	(1.0)	73
Other income and expenses	45	(34.9)	(30.6)	69
Gross income	**1,711**	**(0.6)**	**6.0**	**1,720**
Operating expenses	(567)	(1.7)	4.8	(576)
Personnel expenses	(246)	(0.2)	6.4	(247)
Other administrative expenses	(260)	(2.6)	3.8	(267)
Depreciation	(60)	(3.7)	2.7	(63)
Operating income	**1,144**	**0.0**	**6.6**	**1,144**
Impaiment on financial assets not measured at fair value through profit or loss	(377)	(6.7)	(0.6)	(404)
Provisions or reversal of provisions and other results	21	n.s.	n.s.	(4)
Profit/(loss) before tax	**788**	**7.0**	**14.1**	**736**
Income tax	(216)	11.2	18.5	(194)
Profit/(loss) for the year	**572**	**5.5**	**12.5**	**542**
Non-controlling interests	(0)	3.1	9.9	(0)
Net attributable profit	**571**	**5.5**	**12.5**	**541**

	IFRS 9			IAS 39
Balance sheets	**31-03-18**	**Δ %**	**Δ %(1)**	**31-12-17**
Cash, cash balances at central banks and other demand deposits	7,749	(12.3)	(16.5)	8,833
Financial assets designated at fair value	27,930	(2.4)	(7.1)	28,627
of which Loans and advances	768	(50.7)	(53.1)	1,558
Financial assets at amortized cost	53,233	11.6	6.3	47,691
of which loans and advances to customers	47,247	3.2	(1.7)	45,768
Tangible assets	1,791	2.4	(2.5)	1,749
Other assets	2,572	(64.1)	(65.8)	7,160
Total assets/liabilities and equity	**93,275**	**(0.8)**	**(5.6)**	**94,061**
Financial liabilities held for trading and designated at fair value through profit or loss	19,167	103.8	94.0	9,405
Deposits from central banks and credit institutions	1,448	(75.3)	(76.4)	5,853
Deposits from customers	47,522	(4.9)	(9.5)	49,964
Debt certificates	7,903	8.1	2.9	7,312
Other liabilities	13,648	(22.6)	(26.3)	17,627
Economic capital allocated	3,588	(8.0)	(12.4)	3,901

Relevant business indicators	31-03-18	Δ %	Δ % (1)	31-12-17
Performing loans and advances to customers under management (2)	47,243	4.5	(0.5)	45,196
Non-performing loans and guarantees given	1,095	(2.6)	(7.3)	1,124
Customer deposits under management (2)	46,024	2.1	(2.8)	45,093
Off-balance sheet funds (3)	20,033	2.9	(2.1)	19,472
Risk-weighted assets	47,769	6.3	1.2	44,941
Efficiency ratio (%)	33.1			34.4
NPL ratio (%)	2.1			2.3
NPL coverage ratio (%)	153			123
Cost of risk (%)	3.18			3.24

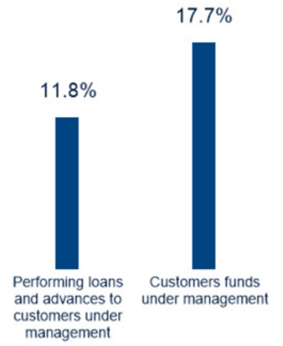
(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Turkey

Highlights

- **Double-digit year-on-year growth in activity indicators.**
- **Sound growth of the recurring revenue items.**
- **Control of operating expenses that grow below the level of inflation.**
- **Risk indicators affected by the one-time impairment of the commercial portfolio.**

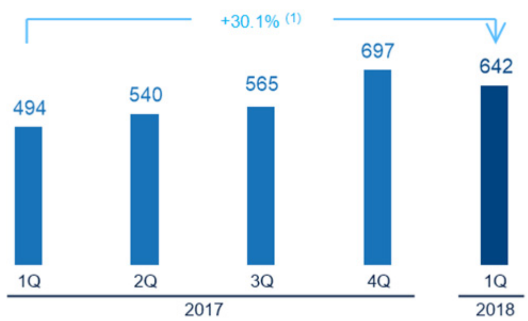
Business activity [(1)] (Year on year change at constant exchange rate. Data as of 31-03-2018)



(1) Excluding repos.

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

Operating income (Million euros at constant exchange rate)

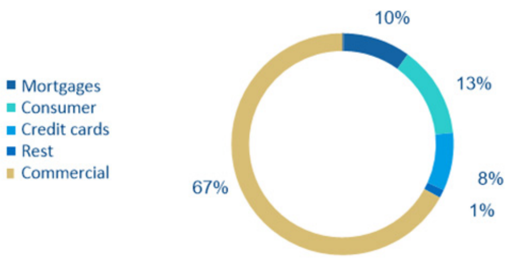


(1) At current exchange rate: 9.2%.

Net attributable profit (Million euros at constant exchange rate)

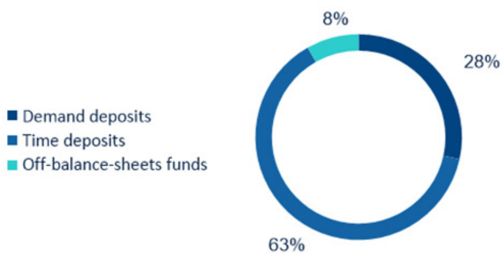
(1) At current exchange rate: 25.7%

Breakdown of performing loans under management [(1)] (31-03-2018)



(1) Excluding repos.

Breakdown of customer funds under management [(1)] (31-03-2018)



(1) Excluding repos.

Macro and industry trends

According to the latest information from the Turkish Statistical Institute, the Turkey's year-on-year **economic growth** was 7.3% in the fourth quarter of 2017, strongly supported by the high contribution from internal demand, led mainly by private consumption. In contrast, net exports continued to fall. Economic activity is expected to remain solid in the first half of 2018. Among the factors contributing to this will be the extension through 2018 of the Credit Guarantee Fund (CGF) program. However, this environment will be clearly conditioned by the political environment due to the advance election announcement (on 24th of June 2018, which was previously scheduled on the 3rd of November 2019).

Although **inflation** closed the month of March 2018 in double digits (10.2%), the figure was a reduction with respect to that of December 2017 (11.9%), thanks to the positive base effects. However, the prospects of inflation declining further are limited by the new depreciation pressure on the Turkish lira against the euro.

Given the inflation expectations, the CBRT will maintain its tight **monetary policy**. After the increases registered in 2017, the average CBRT funding rate stands at 12.75%.

Regarding the **Turkish financial sector**, with data as of the end of the first quarter of 2018, the year-on-year growth rate in total lending (adjusted by the effect of the Turkish lira's depreciation) moderated to 17.3%, after the acceleration throughout 2017, thanks to the credit access facilities promoted by the CGF program mentioned before. The sector's NPL ratio continued to improve, ending the month of March at 2.8%. Lastly, customer deposits maintained a year-on-year increase similar to that of previous periods, of 12.4% (also adjusted by the effect of the Turkish lira's depreciation), supported by the positive trend of Turkish lira deposits. Foreign-currency deposits again recorded a decrease.

Activity

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

The growth of **lending** activity (performing loans under management) in the area amounted to 3.5% in the quarter, which is equivalent to a 11.8% increase in year-on-year terms due to loans in Turkish lira. Furthermore, advances in foreign currency remained stable during the first quarter of 2018. By segments, Garanti continued to perform favorably in business banking loans throughout the quarter and gained market share among its private peers. Although the impact of the extension to 2018 of the mentioned CGF program will be more limited than in 2017, Garanti began to take advantage of it during the first quarter of 2018. Garanti outperformed the sector in consumer general purpose loans and auto loans on the back of a favorable business cooperation with automobile companies. In mortgages, Garanti also gained market share among Turkish private banks. Lastly, there was a contraction in Garanti´s total credit card market share due to a shrinkage in consumer credit card balances.

In terms of **asset quality**, NPL ratio closed at 3.7%, well below the sector in local terms and NPL coverage ratio stands at 86%.

Customer **deposits** (58% of total liabilities in the area as of 31-3-2018) remained the main source of funding for the balance sheet in Turkey and grew by 4.3% in the quarter. Both, Turkish lira deposits and foreign currency deposits showed progress. In this line, demand deposits performed well, and continued to be one of the supports for the growth of net interest income (since they have almost zero cost), with a weight of 31% of total customer deposits.

Results

Turkey generated a cumulative net attributable **profit** of €201m in the first quarter of 2018, which represents a 49.7% rise in year-on-year terms. The most significant aspects of the year-on-year changes in the income statement were as follows:

- Positive performance of **net interest income** (up 10.4%). This positive trend is, above all, a result of the increase in activity, good management of customer spreads (despite the funding cost increase) and higher income from inflation-linked bonds (7% in the first quarter of 2017, and 8% in the first quarter of 2018).
- **Income from fees and commissions** grew by 39.9%. This significant increase is mainly driven by the good performance in payment systems, project finance arrangement fees and money transfer.

- Positive contribution of **NTI** (in the first quarter of 2017 were negative), due to increased gains from the sale of securities and trading with derivatives and currencies.

- Overall, **gross income** was up 21.5% in the first quarter of 2018 compared to the same period of 2017.

- **Operating expenses** increased by 8.6%, well below both the inflation rate and the year-on-year growth rate in gross income, thanks to the strict control cost discipline. As a result, the efficiency ratio declined to 35.6% (36.5% in 2017).

- **Impairment losses on financial assets** rose by 48.5% mainly due to the impact of wholesale customers impairment. As a result, the cumulative cost of risk of the area stood at 1.17%.

Financial statements and relevant business indicators (Million euros and percentage)

	IFRS 9			IAS 39
Income statement	**1Q18**	**Δ %**	**Δ %[1]**	**1Q17**
Net interest income	**753**	**(7.3)**	**10.4**	**812**
Net fees and commissions	201	17.5	39.9	171
Net trading income	20	n.s.	n.s.	(15)
Other income and expenses	23	164.5	215.0	9
Gross income	**996**	**2.0**	**21.5**	**976**
Operating expenses	(354)	(8.8)	8.6	(389)
Personnel expenses	(177)	(12.8)	3.8	(203)
Other administrative expenses	(137)	(1.7)	17.0	(139)
Depreciation	(40)	(12.5)	4.2	(46)
Operating income	**642**	**9.2**	**30.1**	**588**
Impaiment on financial assets not measured at fair value through profit or loss	(151)	24.7	48.5	(121)
Provisions or reversal of provisions and other results	29	79.9	114.2	16
Profit/(loss) before tax	**520**	**7.7**	**28.2**	**483**
Income tax	(114)	7.0	27.5	(106)
Profit/(loss) for the year	**407**	**7.8**	**28.4**	**377**
Non-controlling interests	(206)	(5.3)	12.8	(217)
Net attributable profit	**201**	**25.7**	**49.7**	**160**

	IFRS 9			IAS 39
Balance sheets	**31-03-18**	**Δ %**	**Δ %[1]**	**31-12-17**
Cash, cash balances at central banks and other demand deposits	2,942	(27.1)	(21.5)	4,036
Financial assets designated at fair value	5,993	(6.6)	0.6	6,419
of which Loans and advances	-	-	-	-
Financial assets at amortized cost	62,420	(4.1)	3.3	65,083
of which loans and advances to customers	49,751	(3.2)	4.3	51,378
Tangible assets	1,252	(6.9)	0.3	1,344
Other assets	1,781	(1.7)	5.9	1,811
Total assets/liabilities and equity	**74,389**	**(5.5)**	**1.8**	**78,694**
Financial liabilities held for trading and designated at fair value through profit or loss	1,602	147.4	166.5	648
Deposits from central banks and credit institutions	9,021	(19.4)	(13.2)	11,195
Deposits from customers	43,246	(3.2)	4.2	44,691
Debt certificates	6,941	(16.8)	(10.4)	8,346
Other liabilities	11,002	(2.8)	4.7	11,321
Economic capital allocated	2,576	3.3	11.3	2,493

Relevant business indicators	31-03-18	Δ %	Δ %[1]	31-12-17
Performing loans and advances to customers under management [2]	49,408	(3.9)	3.5	51,438
Non-performing loans and guarantees given	2,380	(6.8)	0.4	2,553
Customer deposits under management [2]	43,143	(3.1)	4.3	44,539
Off-balance sheet funds [3]	3,861	(1.1)	6.6	3,902
Risk-weighted assets	60,936	(2.9)	4.6	62,768
Efficiency ratio (%)	35.6			36.5
NPL ratio (%)	3.7			3.9
NPL coverage ratio (%)	86			85
Cost of risk (%)	1.17			0.82

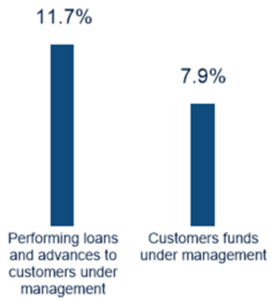
(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

South America

Highlights

- **Activity continues to evolve at a good pace.**
- **Good performance in all income statement lines.**
- **Expenses growth below the increase rate of gross income.**

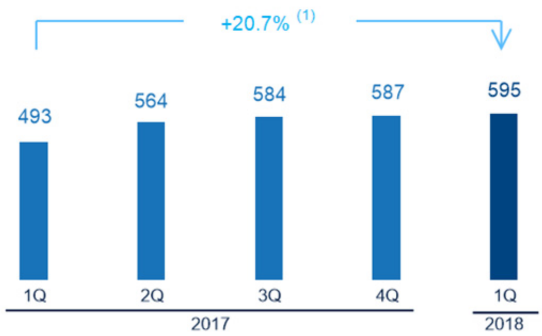
Business activity [1] (Year on year change at constant exchange rates. Data as of 31-03-2018)



(1) Excluding repos.

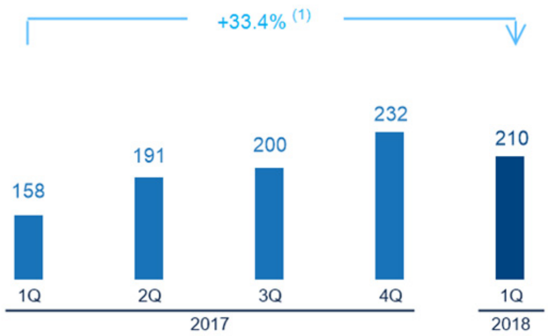
Net interest income/ATAs (Percentage. Constant exchange rate)

Operating income (Million euros at constant exchange rates)



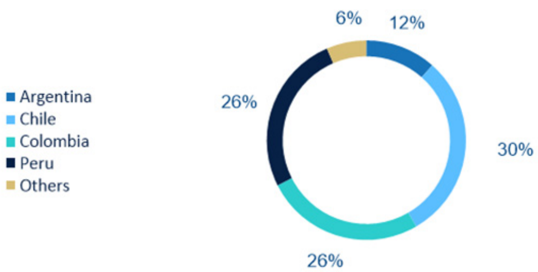
(1) At current exchange rate: 3.8%.

Net attributable profit (Million euros at constant exchange rate)



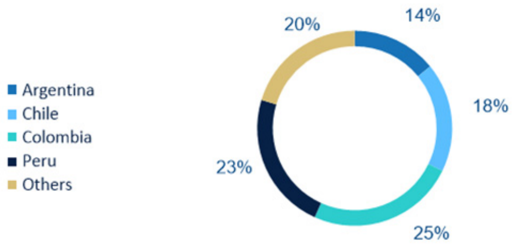
(1) At current exchange rate: 13.8%.

Breakdown of performing loans under management [1] (31-03-2018)



(1) Excluding repos.

Breakdown of customer funds under management [1] (31-03-2018)



(1) Excluding repos.

Macro and industry trends

In 2017, the **economies** of South America consolidated their economic recovery. This is mainly the result of the following factors: i) increases in the prices of most commodities exported by the region and ii) the reduction of tensions in the financial markets. The above, together with reduced political uncertainty, is resulting in an expansion of investment and a strengthening of consumption. In addition, consumer confidence is steadily improving, as inflation falls, although the weak labor market may continue to be a liability.

With respect to the performance of the **currencies**, exchange rates have been relatively stable in recent months, which has combined with continued weak domestic demand to moderate inflation in most countries. In this context, monetary policy will remain expansive in most of the countries in the region, except in Argentina.

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

Activity

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

Lending (performing loans under management) in South America grew by 1.6% over the quarter and closed 11.7% higher than the volume of 31-Mar-2017. By country, the most significant increase was in Argentina (up 6.9% in the quarter and up 73.9% year-on-year).

Regarding **asset quality** portfolio, there was a slight increase in the NPL ratio, which closed the quarter at 3.6%, while the NPL coverage ratio fell slightly to 93%.

Customer **funds** have increased by 1.5% so far this year (up 7.9% year-on-year), supported by off-balance-sheet funds (up 9.5% in the quarter). By country, there was a positive trend in Argentina (up 12.4%) and Colombia (2.3%).

Results

In the first quarter of 2018, South America generated a **net attributable profit** of €210m, which represents year-on-year growth of 33.4% (up 13.8% at current exchange rates). The key aspects of the income statement in this area were:

- A year-on-year increase of 15.4% in **gross income,** thanks to the good performance of more recurring revenue items and greater contribution from NTI. Net interest income (up 14.7%) grew faster than the year-on-year increase in lending, thanks to greater volume and good price management. Net fees and commissions rose 10.6% in the same period.
- Growth of **operating expenses** (up 9.4%) below the growth of gross income in the area, as a result of the cost control implemented in all the countries.
- Slight increase of the **impairment losses on financial assets** (up 2.2%), well below the increase in lending in the area. As a result, the cumulative cost of risk at the close of March stood at 1.37%.

By country, revenues performed very well in **Argentina**, with a year-on-year growth in gross income of 47.5%. This increase was based both on the performance of recurring revenue (boosted by higher volumes of business) and in the positive performance of NTI (mainly due to exchange rates). Operating expenses grew below the rate of gross income, and impairment losses on financial assets also grew below the figure for lending. As a result, there was a significant year-on-year increase in net attributable profit (up 76.5%). In **Chile**, net interest income performed well (driven by the positive trend in lending and good management of customer spreads) while net fees and commissions and NTI declined. The above, together with controlled growth in expenses and the cost of risk, generated a net attributable profit that was 6.0% lower than the same period of the previous year. In **Colombia**, the increase in earnings was based on the good performance of net interest income (due to a positive performance in activity and customer spreads) and an increase in fees and commissions, which boosted gross income (up 13.4%), above the rate of growth of operating expenses (up 5.8%). Together with the reduction of impairment losses on financial assets, this led to a year-on-year increase of 91.6% in the net attributed profit. In **Peru**, net attributable profit fell by 4.4%, as the good performance of NTI and moderate growth in recurring revenue were largely offset by the increase in loan-loss provisions.

Financial statements and relevant business indicators (Million euros and percentage)

	IFRS 9			IAS 39
Income statement	**1Q18**	**Δ %**	**Δ % [1]**	**1Q17**
Net interest income	**792**	**(1.9)**	**14.7**	**807**
Net fees and commissions	163	(7.5)	10.6	176
Net trading income	112	(2.7)	15.1	115
Other income and expenses	12	123.5	n.s.	5
Gross income	**1,079**	**(2.3)**	**15.4**	**1,104**
Operating expenses	(484)	(8.9)	9.4	(531)
Personnel expenses	(247)	(10.8)	7.6	(276)
Other administrative expenses	(207)	(8.0)	10.5	(225)
Depreciation	(30)	1.2	17.8	(30)
Operating income	**595**	**3.8**	**20.7**	**573**
Impaiment on financial assets not measured at fair value through profit or loss	(167)	(10.2)	2.2	(186)
Provisions or reversal of provisions and other results	(11)	(38.3)	(27.6)	(18)
Profit/(loss) before tax	**417**	**12.9**	**32.6**	**369**
Income tax	(128)	16.5	37.8	(110)
Profit/(loss) for the year	**289**	**11.4**	**30.4**	**260**
Non-controlling interests	(79)	5.5	23.1	(75)
Net attributable profit	**210**	**13.8**	**33.4**	**185**

	IFRS 9			IAS 39
Balance sheets	**31-03-18**	**Δ %**	**Δ %[1]**	**31-12-17**
Cash, cash balances at central banks and other demand deposits	7,921	(12.4)	(10.5)	9,039
Financial assets designated at fair value	10,176	(12.5)	(11.8)	11,627
of which Loans and advances	361	n.s.	n.s.	3
Financial assets at amortized cost	51,934	1.4	2.5	51,207
of which loans and advances to customers	48,400	0.3	1.3	48,272
Tangible assets	688	(5.2)	(2.1)	725
Other assets	1,251	(38.6)	-38.0	2,038
Total assets/liabilities and equity	**71,969**	**(3.6)**	**(2.4)**	**74,636**
Financial liabilities held for trading and designated at fair value through profit or loss	2,575	(8.8)	(8.4)	2,823
Deposits from central banks and credit institutions	5,257	(30.4)	(29.9)	7,552
Deposits from customers	45,230	(1.0)	0.2	45,666
Debt certificates	7,412	2.8	3.8	7,209
Other liabilities	8,572	0.8	3.2	8,505
Economic capital allocated	2,923	1.5	2.4	2,881

Relevant business indicators	31-03-18	Δ %	Δ % (1)	31-12-17
Performing loans and advances to customers under management (2)	48,355	0.6	1.6	48,068
Non-performing loans and guarantees given	1,998	6.0	5.7	1,884
Customer deposits under management (3)	45,234	(1.6)	(0.5)	45,970
Off-balance sheet funds (4)	13,018	6.7	9.4	12,197
Risk-weighted assets	55,718	(0.5)	1.1	55,975
Efficiency ratio (%)	44.8			45.1
NPL ratio (%)	3.6			3.4
NPL coverage ratio (%)	93			89
Cost of risk (%)	1.37			1.32

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

South America. Data per country (Million euros)

	IFRS 9			IAS 39	IFRS 9			IAS 39
	Operating income				Net attributable profit			
Country	1Q18	Δ %	Δ % (1)	1Q17	1Q18	Δ %	Δ % (1)	1Q17
Argentina	130	28.3	85.9	101	52	21.8	76.5	43
Chile	107	(4.1)	1.6	112	45	(11.3)	(6.0)	51
Colombia	161	5.0	18.3	154	64	70.1	91.6	37
Peru	164	(9.3)	3.2	181	36	(15.9)	(4.4)	43
Other countries (2)	32	27.8	46.9	25	13	23.4	47.4	11
Total	**595**	**3.8**	**20.7**	**573**	**210**	**13.8**	**33.4**	**185**

(1) Figures at constant exchange rates.
(2) Venezuela, Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

South America. Relevant business indicators per country (Million euros)

	Argentina		Chile		Colombia		Peru	
	31-03-18	31-12-17	31-03-18	31-12-17	31-03-18	31-12-17	31-03-18	31-12-17
Performing loans and advances to customers under management (1, 2)	5,562	5,201	14,577	14,447	12,509	12,451	12,575	12,643
Non-performing loans and guarantees given	46	41	442	416	744	704	649	629
Customer deposits under management (1, 3)	6,436	6,158	9,047	9,575	13,039	12,798	11,755	11,907
Off-balance sheet funds (1, 4)	1,765	1,140	1,501	1,282	1,257	1,170	1,618	1,543
Risk-weighted assets	8,679	9,364	14,730	14,431	12,921	12,299	14,634	14,879
Efficiency ratio (%)	53.7	56.1	45.0	45.2	36.4	36.0	37.1	35.6
NPL ratio (%)	0.8	0.8	2.7	2.6	5.6	5.3	4.0	3.8
NPL coverage ratio (%)	202	198	62	60	97	88	102	100
Cost of risk (%)	1.09	0.61	0.90	0.76	1.83	2.59	1.62	1.14

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

Rest of Eurasia

Highlights

- **Positive trend in lending in European branches.**
- **Evolution of deposits strongly influenced by the environment of negative interest rates.**
- **Earnings improved due to good performance of expenses and impairments.**
- **Good performance of NPL ratio and coverage ratio.**

Macro and industry trends

Growth in the Eurozone appears to continue to be relatively stable and sound. Economic activity is mainly based on strong global trade and recovery in the investment. However, the recent sectoral confidence figures show a moderation of the optimism, which has been shifting to industrial activity and retail sales. Despite this, the foundations of private consumption remains sound. The labor market continues to improve and supports consumer optimism, in a context of growing, but still low **inflation**. In this situation, the ECB began a gradual reduction in asset purchases at the start of 2018, although it remains cautious. This has been reinforced by a somewhat stronger euro and the recent materialization of global risks associated with protectionism.

Activity and results

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

The area's **loan book** (performing loans under management) fell by 1.5% at the close of the first quarter of 2018. The figures varied by geographic area: There was a decline in the Rest of Europe (down 2.3%) and a slight rise in Asia (up 2.0%).

With respect to the trajectory of the main **credit risk** indicators, the NPL ratio closed March at 2.1% (2.4% as of December 2017) and the NPL coverage ratio closed at 88% (74% as of 31-Dec-2017).

Customer **deposits** under management were still strongly influenced by the environment of negative interest rates. Data as of March 2018 showed a quarterly declined of 19.0% (down 20.7% in Europe but up 7.1% in Asia).

Regarding **earnings**, gross income declined by 7.3% year-on-year. Rest of Europe fell by 7.9% and Asia by 2.8%. Operating expenses continued to fall (down 9.0% year-on-year), due to tight control of personnel and discretionary costs. Lastly, there was an increase in impairment losses on financial assets. As a result, this geographic area contributed a cumulative net attributable profit in the first quarter of 2018 of €47 million, up 19.1% on the same period of 2017.

Financial statements and relevant business indicators (Million euros and percentage)

	IFRS 9		IAS 39
Income statement	**1Q18**	**Δ %**	**1Q17**
Net interest income	**43**	**(7.0)**	**46**
Net fees and commissions	39	(5.1)	41
Net trading income	44	(9.5)	48
Other income and expenses	1	(2.0)	1
Gross income	**126**	**(7.3)**	**135**
Operating expenses	(72)	(9.0)	(80)
Personnel expenses	(35)	(17.4)	(43)
Other administrative expenses	(36)	5.8	(34)
Depreciation	(2)	(52.8)	(3)
Operating income	**53**	**(4.9)**	**56**
Impaiment on financial assets not measured at fair value through profit or loss	17	127.2	7
Provisions or reversal of provisions and other results	(1)	(86.1)	(5)
Profit/(loss) before tax	**69**	**18.7**	**58**
Income tax	(22)	17.8	(19)
Profit/(loss) for the year	**47**	**19.1**	**40**

Non-controlling interests	-	-	-
Net attributable profit	**47**	**19.1**	**40**

Balance sheets	IFRS 9 **31-03-18**	**Δ %**	IAS 39 **31-12-17**
Cash, cash balances at central banks and other demand deposits	705	(19.6)	877
Financial assets designated at fair value	535	(46.0)	991
of which Loans and advances	-	-	-
Financial assets at amortized cost	15,129	0.8	15,009
of which loans and advances to customers	13,988	(5.9)	14,864
Inter-area positions	-	-	-
Tangible assets	37	2.5	36
Other assets	344	(2.2)	352
Total assets/liabilities and equity	**16,749**	**(3.0)**	**17,265**
Financial liabilities held for trading and designated at fair value through profit or loss	43	(4.8)	45
Deposits from central banks and credit institutions	2,899	22.6	2,364
Deposits from customers	5,425	(19.0)	6,700
Debt certificates	221	(37.7)	354
Inter-area positions	6,410	13.6	5,643
Other liabilities	868	(30.3)	1,246
Economic capital allocated	884	(3.2)	913

Relevant business indicators	**31-03-18**	**Δ %**	**31-12-17**
Performing loans and advances to customers under management (1)	15,126	(1.5)	15,362
Non-performing loans and guarantees given	462	(16.9)	556
Customer deposits under management (1)	5,425	(19.0)	6,700
Off-balance sheet funds (2)	390	3.9	376
Risk-weighted assets	14,907	(1.6)	15,150
Efficiency ratio (%)	57.7		65.9
NPL ratio (%)	2.1		2.4
NPL coverage ratio (%)	88		74
Cost of risk (%)	(0.35)		(0.16)

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

Corporate Center

The Corporate Center basically includes the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding earnings, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. The highlights of this income statement for the first quarter of 2018 are summarized below:

- Negative contribution of **NTI**. The same period of 2017 registered capital gains of €204 m before tax, from the sale of 1.7% of the stake in CNCB.
- Increase of **operating expenses** (up 7.3% year-on-year).

As a result, the Corporate Center had a **net attributable** loss of €295m, compared with a loss in 2017 of €122 m.

Financial statements (Million euros and percentage)

	IFRS 9		IAS 39
Income statement	**1Q18**	**Δ %**	**1Q17**
Net interest income	**(68)**	**(39)**	**(110)**
Net fees and commissions	(7)	47.5	(5)
Net trading income	(24)	n.s.	213
Other income and expenses	(7)	(75.5)	(27)
Gross income	**(106)**	**n.s.**	**70**
Operating expenses	(224)	7.3	(209)
Personnel expenses	(123)	4.7	(118)
Other administrative expenses	(41)	168.4	(15)
Depreciation	(60)	(21.4)	(76)
Operating income	**(330)**	**137.6**	**(139)**
Impaiment on financial assets not measured at fair value through profit or loss	(0)	n.s.	1
Provisions or reversal of provisions and other results	(63)	n.s.	(7)
Profit/(loss) before tax	**(393)**	**171.1**	**(145)**
Income tax	98	n.s.	22
Profit/(loss) for the year	**(295)**	**139.4**	**(123)**
Non-controlling interests	(0)	n.s.	1
Net attributable profit	**(295)**	**141.3**	**(122)**

	IFRS 9		IAS 39
Balance sheets	**31-03-18**	**Δ %**	**31-12-17**
Cash, cash balances at central banks and other demand deposits	315	n.s.	5
Financial assets designated at fair value	3,346	33.1	2,514
Financial assets at amortized cost	-	-	-
of which loans and advances to customers	-	-	-
Inter-area positions	(1,897)	26.4	(1,501)
Tangible assets	1,661	(12.3)	1,893
Other assets	21,239	20.8	17,585
Total assets/liabilities and equity	**24,664**	**20.3**	**20,497**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	-	-	-
Debt certificates	8,491	(3.2)	8,772
Inter-area positions	(12,535)	(23.5)	(16,384)
Other liabilities	-	-	443
Economic capital allocated	(24,593)	(1.4)	(24,941)
Shareholders' funds	53,301	1.3	52,606

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some alternative performance measures (APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 (ESMA/2015/1415en). These guidelines are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

- Include clear and readable definitions of the APMs (paragraphs 21-25).
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items (paragraphs 26-32).
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuers (paragraphs 33-34).
- Do not have greater preponderance than measures directly stemming from financial statements (paragraphs 35-36).
- Are accompanied by comparatives for previous periods (paragraphs 37-40).
- Are consistent over time (paragraphs 41-44).

Book value per share

The book value per share determines the value of the company on its books for each share held by the shareholder.

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for both the shareholders' funds and accumulated other comprehensive income are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend before publication. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account specific balances.

Relevance of its use: To know the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share

			IFRS 9 31-03-18	IFRS 9 01-01-18	IAS 39 31-12-17	IAS 39 31-03-17
Numerator (million euros)	+	Shareholders' funds	54,432	54,285	55,136	53,188
	+	Dividend-option adjustment	-	-	-	716
	+	Accumulated other comprehensive income	(9,201)	(8,889)	(8,792)	(5,144)
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668	6,567
	+	Dividend-option	-	-	-	101
	-	Treasury shares	27	13	13	4
=		Book value per share (euros / share)	6.81	6.82	6.96	7.32

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation.

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for shareholders' funds, accumulated other comprehensive income and intangible assets are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend before publication. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account specific balances.

Relevance of its use: To know the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

			IFRS 9		IAS 39	
			31-03-18	01-01-18	31-12-17	31-03-17
Numerator (million euros)	+	Shareholders' funds	54,432	54,285	55,136	53,188
	+	Dividend-option adjustment	-	-	-	716
	+	Accumulated other comprehensive income	(9,201)	(8,889)	(8,792)	(5,144)
	-	Intangible assets	8,199	8,464	8,464	9,561
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668	6,567
	+	Dividend-option	-	-	-	101
	-	Treasury shares	27	13	13	4
=		Tangible book value per share (euros / share)	5.58	5.55	5.69	5.88

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months divided into the closing price for the period.

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: The remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called the "dividend-option".

Relevance of its use: This ratio is generally used by analysts, shareholders and investors for companies and entities that are traded on the stock market. It compares the dividend paid by a company every year with its market price.

Dividend yield

		31-03-18	31-12-17	31-03-17
Numerator (euros)	∑ Dividends	0.22	0.30	0.37
Denominator (euros)	Closing price	6.43	7.11	7.27
=	Dividend yield	3.4%	4.2%	5.1%

Non-performing loan (NPL) ratio

This is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance for customers and contingent risks.

$$\frac{\text{Non}-\text{performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: Non performing loans include those related to loans and advances to customers (gross) of lending activity and those related to contingent risk, excluding the non-performing loans of credit institutions and securities. Total credit risk includes both pending and collateral given risk. Their calculation is based on the headings in the first table on page 16 of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk.

Change of criteria: In the calculation of this metric, certain wholesale customer repos that until December 31, 2017 were presented in the total credit risk have not been taken into account.

Non-Performing Loans (NPLs) ratio

		31-03-18	31-12-17	31-03-17
Numerator (million euros)	NPLs	19,516	20,492	23,236
Denominator (million euros)	Credit Risk	442,446	450,045	473,535
=	Non-Performing Loans (NPLs) ratio	4.4%	4.6%	4.9%

NPL coverage ratio

It reflects the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

$$\frac{\text{Provisions}}{\text{Non} - \text{performing loans}}$$

Explanation of the formula: Non performing loans include those related to loans and advances to customers (gross) of lending activity and those related to contingent risk, excluding the non-performing loans of credit institutions and securities. With respect to provisions, they are loan-loss provisions, both pending and collateral given risk. Their calculation is based on the headings in the first table on page 16 of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

NPL coverage ratio

		31-03-18	31-12-17	31-03-17
Numerator (million euros)	Provisions	14,180	13,319	16,385
Denominator (million euros)	NPLs	19,516	20,492	23,236
=	NPL coverage ratio	73%	65%	71%

Efficiency ratio

It measures the percentage of gross income consumed by an entity's operating expenses.

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Operating expenses are the sum of personnel expenses, plus administrative expenses, plus depreciation.

Relevance of its use: This ratio is generally used in the banking sector. It is also a ratio linked to one of the Group's six Strategic Priorities.

Efficiency ratio

		Jan.-Mar. 2018	Jan.-Dec. 2017	Jan.-Mar. 2017
Numerator (million euros)	Operating expenses	(2,979)	(12,500)	(3,137)
Denominator (million euros)	Gross income	6,096	25,270	6,383
=	Efficiency ratio	48.9%	49.5%	49.1%

ROE

The ROE ratio (return on equity) measures the return obtained on an entity's shareholders' funds.

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders}'\text{funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula:

Annualized net attributable profit: it measures the net profit attributable to the Group after deducting the results from non-controlling interests. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If singular items are included, they are eliminated from the net attributable profit before it is annualized. Average shareholders' funds: they are the moving weighted average of the specific shareholders' funds of the interim periods of each year, adjusted, where appropriate to take into account the result of the "dividend-option" at the closing dates before publication on which it was agreed to distribute this type of dividend. Average accumulated other comprehensive income. Average accumulated other comprehensive income: it is a moving weighted average of accumulated other comprehensive income of the interim periods of each year.

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Change of criteria: As of 2018, the other comprehensive income has been included in the denominator to align with the usual practice of the sector and to be more consistent with the calculation of the tangible book value per share explained above.

ROE

			Jan.-Mar. 2018	Jan.-Dec. 2017	Jan.-Mar. 2017
Numerator (million euros)		Annualized net attributable profit	5,435	3,519	4,863
Denominator (million euros)	+	Average shareholder's funds	54,742	54,613	53,371
	+	Average accumulated other comprehensive income	(9,177)	(7,019)	(5,743)
=		ROE	11.9%	7.4%	10.2%

ROTE

The ROTE ratio (return on tangible equity) measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and also removing the intangible assets.

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula:

Annualized net attributable profit; average shareholders' funds; average accumulated other comprehensive income are calculated in the same way as ROE above.

Average intangible assets: intangible assets on the balance sheet, including goodwill and other intangible assets. The average is calculated in the same way as for shareholders' funds.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds not including intangible assets.

ROTE

			Jan.-Mar. 2018	Jan.-Dec. 2017	Jan.-Mar. 2017
Numerator (million euros)		Annualized net attributable profit	5,435	3,519	4,863
Denominator (million euros)	+	Average shareholder's funds	54,742	54,613	53,371
	+	Average accumulated other comprehensive income	(9,177)	(7,019)	(5,743)
	-	Average intangible assets	8,281	9,073	9,590
=		ROTE	14.6%	9.1%	12.8%

ROA

The ROA ratio (return on assets) measures the return obtained on an entity's assets.

$$\frac{\text{Annualized profit for the year}}{\text{Average total assets}}$$

Explanation of the formula:

Annualized profit for the year: If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If singular items are included, they are eliminated from the net attributable profit before it is annualize, and then added to the metric once it has been annualized.

Average total assets: it is a moving weighted average of the total assets of the interim periods of each year.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA

		Jan.-Mar. 2018	Jan.-Dec. 2017	Jan.-Mar. 2017
Numerator (million euros)	Annualized profit for the year	6,595	4,762	6,049
Denominator (million euros)	Average total assets	679,638	702,508	719,448
=	ROA	0.97%	0.68%	0.84%

RORWA

The RORWA ratio (return on risk-weighted assets) measures the accounting return obtained on average risk-weighted assets.

$$\frac{\text{Annualized profit for the year}}{\text{Average risk} - \text{weighted assets}}$$

Explanation of the formula:

Annualized profit for the year: calculated in the same way as ROA above.

Average risk-weighted assets (RWA): it is a moving weighted average of the risk-weighted assets of the interim periods of each year.

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA

		Jan.-Mar. 2018	Jan.-Dec. 2017	Jan.-Mar. 2017
Numerator (million euros)	Annualized profit for the year	6,595	4,762	6,049
Denominator (million euros)	Average RWA	360,377	375,589	388,538
=	RORWA	1.83%	1.27%	1.56%

Other customer funds

It includes off-balance sheet funds (mutual funds, pension funds and other off-balance sheet funds) and customer portfolios.

Explanation of the formula: Sum of mutual funds + pension funds + other off-balance sheet funds + customer portfolios; as displayed in the table on page 13 of this report.

Relevance of its use: This metric is generally used in the banking sector, as apart from on-balance sheet funds, financial institutions manage other types of customer funds, such as mutual funds, pension funds, etc.

Other customer funds

Million euros		31-03-18	31-12-17	31-03-17
+	Mutual funds	64,327	60,939	58,780
+	Pension Funds	33,604	33,985	33,479
+	Other off-balance sheet funds	2,445	3,081	2,952
+	Customer portfolios	30,064	36,901	40,078
=	Other customer funds	130,440	134,906	135,290