BBVA Creating Opportunities

Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report corresponding to the nine month period ended September 30, 2018

KPMG

Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries

Condensed Interim Consolidated Financial Statements
September 30, 2018

Interim Consolidated Management Report
Third Quarter 2018

(With Limited Review Report Thereon)

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

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

Limited Review on the Condensed Interim Consolidated Financial Statements

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

To the Shareholders of Banco Bilbao Vizcaya Argentaria, S.A.
commissioned by its Board of Directors

REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have carried out 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 which, along with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (the "Group"), which comprise the condensed consolidated balance sheet as of September 30, 2018, the condensed consolidated income statement, the consolidated statement of recognized income and expense, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the accompanying notes to the condensed interim consolidated financial statements corresponding to the nine-month period then ended. 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. 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 prevailing legislation regulating the audit of 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

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the nine-month period ended September 30, 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 complete 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 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 for the nine-month period ended September 30, 2018 contains such explanations as the Directors of the Bank consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim consolidated management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with the interim financial statements for the nine-month period ended September 30, 2018. Our work is limited to the verification of the interim consolidated management report within the scope described in this paragraph and does not include a review of information other than that obtained 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 within the framework of article 120 of Royal Legislative 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 M. Martín

Luis Martín Riaño

October 30, 2018

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

2018 Núm. 01/18/15651

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INTERIM CONSOLIDATED MANAGEMENT REPORT

BBVA Group

Condensed Consolidated balance sheets as of September 30, 2018 and December 31, 2017

Condensed Consolidated balance sheets (Millions of Euros)

ASSETS	Notes	September 2018 IFRS 9	December 2017 IAS 39 (*)
Cash, cash balances at central banks and other demand deposits	8	44,800	42,680
Financial assets held for trading	9	90,405	64,695
Non-trading financial assets mandatorily at fair value through profit or loss	10	4,692	
Financial assets designated at fair value through profit or loss	11	1,302	2,709
Financial assets at fair value through other comprehensive income	12	61,602	69,476
Financial assets at amortized cost	13	417,893	445,275
Hedging derivatives		3,189	2,485
Fair value changes of the hedged items in portfolio hedges of interest rate risk		(52)	(25)
Joint ventures, associates and unconsolidated subsidiaries	14	972	1,588
Insurance and reinsurance assets		392	421
Tangible assets	15	6,688	7,191
Intangible assets	16	8,213	8,464
Tax assets	17	17,122	16,888
Other assets	18	6,122	4,359
Non-current assets and disposal groups held for sale	19	5,644	23,853
TOTAL ASSETS		**668,985**	**690,059**

LIABILITIES AND EQUITY	Notes	September 2018 IFRS 9	December 2017 IAS 39 (*)
Financial liabilities held for trading	9	81,810	46,182
Financial liabilities designated at fair value through profit or loss	11	6,782	2,222
Financial liabilities at amortized cost	20	501,439	543,713
Hedging derivatives		2,862	2,880
Fair value changes of the hedged items in portfolio hedges of interest rate risk		-	(7)
Liabilities under insurance and reinsurance contracts	21	9,994	9,223
Provisions	22	6,824	7,477
Tax liabilities	17	3,079	3,298
Other liabilities	18	5,098	4,550
Liabilities included in disposal groups classified as held for sale		-	17,197
TOTAL LIABILITIES		**617,888**	**636,736**
SHAREHOLDERS' FUNDS		56,502	55,136
Capital	24	3,267	3,267
Share premium		23,992	23,992
Equity instruments issued other than capital		-	-
Other equity		42	54
Retained earnings	25	26,064	25,474
Revaluation reserves	25	3	12
Other reserves	25	(48)	(44)
Less: Treasury shares		(242)	(96)
Profit or loss attributable to owners of the parent		4,323	3,519
Less: Interim dividend		(899)	(1,043)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	26	(10,505)	(8,792)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	27	5,100	6,979
TOTAL EQUITY		**51,097**	**53,323**
TOTAL EQUITY AND TOTAL LIABILITIES		**668,985**	**690,059**

MEMORANDUM: OFF BALANCE SHEET EXPOSURES	Notes	September 2018 IFRS 9	December 2017 IAS 39 (*)
Loan commitments given	28	116,219	94,268
Financial guarantees given	28	16,306	16,545
Contingent commitments given	28	35,690	45,738

(*) Figures of the consolidated Annual Accounts, under IAS 39, which presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the nine months ended September 30, 2018.

BBVA Group

Condensed Consolidated income statements for the nine months ended September 30, 2018 and 2017

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	Notes	September 2018 IFRS 9	September 2017 IAS 39 (*)
Interest income and other similar income	30.1	21,711	21,461
Interest expense	30.2	(8,812)	(8,259)
NET INTEREST INCOME		**12,899**	**13,202**
Dividend income	31	95	247
Share of profit or loss of entities accounted for using the equity method	32	11	(1)
Fee and commission income	33	5,259	5,364
Fee and commission expense	33	(1,606)	(1,658)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	34	124	748
Gains (losses) on financial assets and liabilities held for trading, net	34	858	389
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	34	7	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	34	195	(70)
Gains (losses) from hedge accounting, net	34	48	(188)
Exchange differences, net	34	(326)	536
Other operating income	35	1,606	1,194
Other operating expense	35	(2,335)	(1,682)
Income from insurance and reinsurance contracts	36	2,204	2,564
Expense from insurance and reinsurance contracts	36	(1,445)	(1,737)
GROSS INCOME		**17,596**	**18,908**
Administration costs	37	(7,818)	(8,329)
Depreciation and amortization	38	(903)	(1,057)
Provisions or reversal of provisions	39	(307)	(564)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	40	(2,629)	(2,917)
NET OPERATING INCOME		**5,940**	**6,040**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates		-	-
Impairment or reversal of impairment on non-financial assets	41	(6)	(114)
Gains (losses) on derecognition of non financial assets, net	42	76	32
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	869	58
OPERATING PROFIT BEFORE TAX		**6,878**	**6,015**
Tax expense or income related to profit or loss from continuing operations		(1,874)	(1,670)
PROFIT FROM CONTINUING OPERATIONS		**5,004**	**4,345**
Profit from discontinued operations (net)		-	-
PROFIT		**5,004**	**4,345**
Attributable to minority interest [non-controlling interests]	27	682	896
Attributable to owners of the parent		4,323	3,449

Earnings per share (Euros)	September 2018 IFRS 9	September 2017 IAS 39 (*)
EARNINGS PER SHARE	**0.62**	**0.49**
Basic earnings per share from continued operations	0.62	0.49
Diluted earnings per share from continued operations	0.62	0.49
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 Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the nine months ended September 30, 2018.

BBVA Group

Consolidated statements of recognized income and expenses for the nine months period ended September 30, 2018 and 2017

Consolidated Statements of recognized income and expenses (millions of euros)	September 2018 IFRS 9	Septembre 2017 IAS 39 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**5,004**	**4,345**
OTHER RECOGNIZED INCOME (EXPENSES)	**(3,405)**	**(3,208)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(279)**	**59**
Actuarial gains and losses from defined benefit pension plans	(47)	85
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	(296)	(26)
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	109	-
Income tax related to items not subject to reclassification to income statement	(44)	-
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(3,126)**	**(3,267)**
Hedge of net investments in foreign operations [effective portion]	**(8)**	**(229)**
Valuation gains or (losses) taken to equity	(60)	(197)
Transferred to profit or loss	-	-
Other reclassifications	52	(32)
Foreign currency translation	**(2,530)**	**(3,067)**
Valuation gains or (losses) taken to equity	(2,449)	(3,067)
Transferred to profit or loss	6	-
Other reclassifications	(86)	-
Cash flow hedges [effective portion]	**(69)**	**(69)**
Valuation gains or (losses) taken to equity	(130)	(108)
Transferred to profit or loss	61	39
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments	-	109
Valuation gains or (losses) taken to equity	-	798
Transferred to profit or loss	-	(689)
Other reclassifications	-	-
Available-for-sale financial assets	**(754)**	**-**
Valuation gains or (losses) taken to equity	(705)	-
Transferred to profit or loss	(48)	-
Other reclassifications	-	-
Non-current assets held for sale	**20**	-
Valuation gains or (losses) taken to equity	(0)	-
Transferred to profit or loss	20	-
Other reclassifications	-	-
Entities accounted for using the equity method	**(10)**	**(8)**
Income tax	**224**	**(3)**
TOTAL RECOGNIZED INCOME/EXPENSES	**1,599**	**1,137**
Attributable to minority interest [non-controlling interests]	(1,107)	186
Attributable to the parent company	2,706	951

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

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the nine months ended September 30, 2018.

Consolidated statements of changes in equity for the nine months period ended September 30, 2018

Consolidated statements of changes in equity (Millions of Euros)

September 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 dividend (Note 4)	Accumulated other comprehensive income (Note 26)	Non-controlling interest: Valuation adjustments (Note 27)	Non-controlling interest: 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**
Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	4,323	-	(1,616)	(1,788)	682	1,599
Other changes in equity	-	-	-	(13)	1,441	(9)	(4)	(146)	(3,519)	144	-	-	(800)	(2,906)
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	-	-	-	-	(992)	-	(4)	-	-	(899)	-	-	(376)	(2,272)
Purchase of treasury shares	-	-	-	-	-	-	-	(798)	-	-	-	-	-	(798)
Sale or cancellation of treasury shares	-	-	-	-	(1)	-	-	652	-	-	-	-	-	651
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	2,484	(9)	1	-	(3,519)	1,043	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(20)	-	-	-	-	-	-	-	-	-	(20)
Other increases or (-) decreases in equity	-	-	-	7	(49)	-	(1)	-	-	-	-	-	(424)	(468)
Balances as of September 30, 2018	**3,267**	**23,992**	**-**	**42**	**26,064**	**3**	**(48)**	**(242)**	**4,323**	**(899)**	**(10,505)**	**(5,145)**	**10,245**	**51,097**

The accompanying Notes 1 to 44 Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the nine months ended September 30, 2018.

Consolidated statements of changes in equity for the nine months ended September 30, 2017

Consolidated statements of changes in equity (Millions of Euros)

												Non-controlling interest		
September 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 dividend (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	-	-	-	-	-	-	**-**	-	**3,449**	**-**	**(2,498)**	**(710)**	**896**	**1,136**
Other changes in equity	**50**	**-**	**-**	**(4)**	**1,896**	**(7)**	**24**	**(11)**	**(3,475)**	**544**	**-**	**-**	**(1,181)**	**(2,164)**
Issuances of common shares	50	-	-	-	(50)	-	-	-	-	-	-	-	-	-
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	-	-	-	-	9	-	(9)	-	-	(823)	-	-	(288)	(1,111)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,327)	-	-	-	-	-	(1,327)
Sale or cancellation of treasury shares	-	-	-	-	(8)	-	-	1,316	-	-	-	-	-	1,307
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,930	(7)	41	-	(3,475)	1,510	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)
Other increases or (-) decreases in equity	-	-	-	18	14	-	(7)	-	-	(144)	-	-	(892)	(1,011)
Balances as of September 30, 2017	**3,267**	**23,992**	**-**	**50**	**25,585**	**14**	**(43)**	**(60)**	**3,449**	**(967)**	**(7,956)**	**(2,956)**	**10,025**	**54,400**

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

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the nine months ended September 30, 2018.

BBVA Group

Condensed Consolidated statements of cash flows for the nine months period ended September 30, 2018 and 2017

Condensed Consolidated statements of cash flows (millions of euros)

	September 2018 IFRS 9	September 2017 IAS 39 (*)
CASH FLOW FROM OPERATING ACTIVITIES (1)	**(10)**	**(2,529)**
Profit for the period	**5,004**	**4,345**
Adjustments to obtain the cash flow from operating activities:	**5,484**	**5,925**
Depreciation and amortization	903	1,057
Other adjustments	4,581	4,868
Net increase/decrease in operating assets/liabilities	**(8,736)**	**(10,890)**
Financial assets/liabilities held for trading	2,773	128
Non-trading financial assets mandatorily at fair value through profit or loss	(208)	
Other financial assets/liabilities designated at fair value through profit or loss	1,121	(97)
Available-for-sale financial assets	(6,462)	3,081
Loans and receivables / Financial liabilities at amortized cost	(4,535)	(14,183)
Other operating assets/liabilities	(1,425)	181
Collection/Payments for income tax	**(1,762)**	**(1,909)**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	**3,810**	**1,083**
Tangible assets	296	(629)
Intangible assets	(530)	(322)
Investments	(33)	(51)
Subsidiaries and other business units	1,983	(1,082)
Non-current assets/liabilities held for sale	1,898	427
Held-to-maturity investments	-	2,731
Other settlements/collections related to investing activities	196	9
CASH FLOWS FROM FINANCING ACTIVITIES (3)	**(4,238)**	**(690)**
Dividends	(1,117)	(988)
Subordinated liabilities	(2,598)	614
Common stock amortization/increase	-	-
Treasury stock acquisition/disposal	(147)	(23)
Other items relating to financing activities	(376)	(293)
EFFECT OF EXCHANGE RATE CHANGES (4)	**(4,909)**	**(1,882)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**(5,347)**	**(4,017)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**45,549**	**40,039**
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**40,203**	**36,023**

	September 2018 IFRS 9	September 2017 IAS 39 (*)
Cash	5,895	5,430
Balance of cash equivalent in central banks	34,308	27,652
Other financial assets	-	2,941
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**40,203**	**36,023**

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

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the nine months ended September 30, 2018.

Notes to the condensed interim consolidated financial statements as of and for the nine month period ended September 30, 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) as noted on its web site (www.bbva.com).

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

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 October 29, 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 September 30, 2018, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the nine months ended September 30, 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. Therefore, some items that appear without a balance in these consolidated financial statements are due to how the units are expressed. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the totals appearing in some tables are not the exact arithmetical sum of their component figures.

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 September 30, 2017 that was prepared with the standards for the year 2017 is presented for the purpose of comparison with the information for September 30, 2018.

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 measurement 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 Note 2.4.

In the first nine 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 were required to be made at times when preparing these consolidated financial statements in order to calculate the recorded or disclosed amount of some assets, liabilities, income, expenses and commitments. These estimates relate mainly to the following:

- Impairment losses on 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 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).

Although these estimates were made on the basis of the best information available as of September 30, 2018, future events may make it necessary to modify them (either up or down) over the coming years. This would be done prospectively in accordance with applicable standards, recognizing the effects of changes in the estimates in the corresponding consolidated income statement.

During the nine months ended September 30, 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 and in Note 46 of the Interim consolidated financial statements for the six-months ended June 30, 2018.

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 the transactions 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 as of and for the nine-months ended September 30, 2018.

2. Principles of consolidation, accounting policies, 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.

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

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective on or after January 1, 2018. They have had an impact on the BBVA Group's consolidated financial statements corresponding to the period ended September 30, 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, had a significant impact on the consolidated financial statements of the Group at that date. The first application is detailed in Note 2.4.

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 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.

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 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 financial instruments classified as available-for-sale which, in accordance with IFRS 9, the Group 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 are now reported in accumulated other 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 been 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 to the credit risk itself are recognized as other comprehensive income, while the rest of the variation is 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 transactions when they are initially recognized (Stage 1); the second comprises the financial assets for which a significant increase in credit risk has been identified since its initial recognition (Stage 2) and the third one, the impaired financial assets (Stage 3).

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

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

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

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

The BBVA Group has applied the following definitions 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 implementation 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 September 30, 2018, the Group has not considered periods superior to 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 two-prong approach that is applied globally, although the specific characteristics of each geographic area are respected:

- Quantitative criterion: the Group uses a quantitative analysis based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default, so that both values are comparable in terms of expected default probability for their residual life. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. Depending on how old current operations are, at the time implementation 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. According to IFRS 9, default of more than 30 days is a presumption that can be rebutted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk. As of September 30, 2018, the Group has not considered periods superior to 30 days for any of the significant portfolios.
- 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– significant increases 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 instrument.
- Rating or scoring tools.
- Credit risk scoring or rating.
- Type of collateral.
- Amount of time at default for stage 3.
- Segment.
- Qualitative criteria which can have a significant increase in risk.
- Collateral value if it has an impact on the probability of a default event.

The estimated losses are derived from the following parameters:

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

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

To determine whether there is a significant increase in credit risk that is not reflected in the published ratings, the Group 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 (either through time or at a punctual moment). With respect to the amount to be recognized, it would be the one reflecting the advance consideration expected to be entitled to the goods and services transferred.

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 consolidated 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 consolidated 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 consolidated 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 should be applied to the accounting periods beginning on or after January 1, 2018 although early application is permitted.

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

2.2 Current standards with impact on the nine months ended September 30, 2018

Entities and branches located in countries with hyperinflationary economies

In accordance with the IFRS-EU criteria, to determine whether an economy has a high inflation rate the country's economic situation is examined, analyzing whether certain circumstances are fulfilled, such as whether the population prefers to keep its wealth or save in non-monetary assets or in a relatively stable foreign currency, whether prices can be set in that currency, whether interest rates, wages and prices are pegged to a price index or whether the accumulated inflation rate over three years reaches or exceeds 100%. The fact that any of these circumstances is fulfilled will not be a decisive factor in considering an economy hyperinflationary, but it does provide some reasons to consider it as such.

At the end of the third quarter of 2018, the Argentinian economy was considered to be hyperinflationary as defined by the aforementioned criteria. Accordingly, as of September 30, 2018, it was necessary to adjust the financial statements of the Group's subsidiaries based in Argentina to correct for the effect of inflation.

Pursuant to the requirements of IAS 29, the monetary headings (mainly loans and credits) have not been re-expressed, while the non-monetary headings (mainly tangible fixed assets and equity) have been re expressed in accordance with the change in the country's Consumer Price Index.

The historical differences between the re-expressed costs and the previous costs in the non-monetary headings as of December 31, 2017 were credited to "Equity" in the condensed balance sheet, effective on January 1, 2018, while the differences corresponding to the nine months period ended September 30, 2018, and the re-expression of results were recognized in the condensed consolidated income statement for 2018 corresponding to the nine months period ended September 30, 2018 in accordance with the nature of the income and expenses.

The total net loss in the attributable profit of the parent company derived from application of IAS29 was €190 million.

2.3 Standards and interpretations issued but not yet effective as of September 30, 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 September 30, 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 will be applied to the accounting periods beginning on or after January 1, 2019.

2.4. Condensed consolidated opening balance as of January 1, 2018

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**

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".

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".

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 dividend	(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".

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. There have been no significant variations in the Group during the first nine months of 2018 (see Note 5).

Significant transactions in the first nine months of 2018

Divestitures

- Sale of BBVA's stake in BBVA Chile

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

On July 6, 2018, BBVA completed the sale to Scotiabank of its direct and indirect shareholding stake in BBVA Chile. The consideration received in cash by BBVA as consequence of the referred sale amounts to approximately 2,200 million USD. The transaction results in a capital gain net of taxes of 633 million euros, which was recognized during the nine months ended September 30, 2018.

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

On November 29, 2017, BBVA reached an agreement with a subsidiary of Cerberus Capital Management, L.P. ("Cerberus") for the creation of a "joint venture" to which an important part of the real estate business of BBVA in Spain is transferred (the "Business").

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

On October 10, 2018, after obtaining all required authorizations, BBVA completed the transfer of the real estate business in Spain. Closing of the transaction has resulted in the sale of 80% of the share capital of the company Divarian Propiedad, S.A. to an entity managed by Cerberus.

Divarian is the company to which BBVA group has previously contributed the Business provided that the effective transfer of several real estate assets (REO´s) remains subject to the fulfilment of certain conditions precedent, as stated in the referred relevant event. The final price payable by Cerberus will be adjusted depending on the volume of REO´s effectively contributed.

BBVA estimates that the transaction did not have a significant impact on BBVA Group's attributable profit or the Common Equity Tier 1 (fully loaded).

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.

The Board of Directors, at its meeting held on September 26, 2018, approved the payment in cash of €0.10 (€0.081 net of withholding tax rate of 19%) per BBVA share, as gross interim dividend based on 2018 results. The dividend was paid on October 10, 2018.

5. Operating segment reporting

Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group and, ultimately, into the reportable operating segments themselves.

During the nine month period ended September 30, 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, although its composition is different from the close of the third quarter of 2017, as a result of the agreement of sale of BBVA Chile (see Note 3). 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 loans to promoters that are granted new or that are no longer in difficult conditions, as well as the portfolios the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- Non Core Real Estate

  It was created to manage in Spain, in a specialized manner, loans to developers who were in difficulty and real estate assets, mainly from foreclosed properties, both residential mortgages and developers. On November 29, 2017, the BBVA Group signed a sale agreement with Cerberus for the subsequent sale of 80% of the company created to a subsidiary of Cerberus (see note 3). Even though the effective transfer of some real-estate owned assets are subject to the fulfillment of certain conditions and in the meanwhile, BBVA will continue to manage those assets.

- 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.

- Turkey

  Includes the activity of 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 accompanying Interim Consolidated Management Report presents the consolidated income statements and the balance sheets by operating segments.

6. Risk management

The principles and risk management policies, as well as tools and procedures established and implemented in the Group as of September 30, 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) and the update as of June 30, 2018.

BBVA Group's credit risk with its impairment losses by headings in the balance sheets as of September 30, 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	September 2018	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**53,137**			
Debt securities	9	25,787			
Equity instruments	9	4,991			
Loans and advances to customers	9	22,358			
Non-trading financial assets mandatorily at fair value through profit or loss		**4,692**			
Loans and advances to customers	10	1,361			
Debt securities	10	300			
Equity instruments	10	3,031			
Financial assets designated at fair value through profit or loss	**11**	**1,302**			
Derivatives (trading and hedging)		**39,767**	**Stage 1**	**Stage 2**	**Stage 3**
Financial assets at fair value through other comprehensive income		**61,581**	**61,581**	**-**	**-**
Debt securities		59,074	59,074	-	-
Equity instruments	12	2,507	2,507	-	-
Financial assets at amortized cost		**430,550**	**383,418**	**30,042**	**17,091**
Loans and advances to central banks		3,269	3,269	-	-
Loans and advances to credit institutions		12,099	12,080	9	10
Loans and advances to customers		383,111	336,062	30,004	17,045
Debt securities		32,072	32,007	29	36
Total financial assets risk		**591,028**	**444,999**	**30,042**	**17,091**
Total loan commitments and financial guarantees	**28**	**168,215**	**159,982**	**7,304**	**929**
Total maximum credit exposure		**759,244**	**604,981**	**37,345**	**18,020**
Impairment losses		**(13,261)**	**(2,439)**	**(2,434)**	**(8,388)**
Of which:					
Impairment asset		(12,669)	(2,167)	(2,332)	(8,170)
Commitments and financial guarantees		(592)	(273)	(102)	(218)

There was no similar breakdown before the implementation of IFRS 9 on January 1, 2018 (see Note 2.1).

The table below shows the composition of the impaired financial assets and guarantees given as of September 30, 2018 and December 31, 2017, broken down by heading in the accompanying condensed consolidated balance sheet:

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

	September 2018	December 2017
Financial assets at fair value through other comprehensive income	-	70
Debt securities	-	70
Financial assets at amortized cost	17,091	19,780
Loans and advances to credit institutions	10	11
Loans and advances to customers	17,045	19,753
Debt securities	36	17
Total impaired financial assets	**17,091**	**19,850**
Impaired financial guarantees given	**649**	**739**
Total impaired financial assets and contingent risks	**17,740**	**20,590**

The table below presents the change in the impaired financial assets in the nine-month period ended September 30, 2018:

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

	September 2018
Beginning balance	**20,590**
Additions	6,825
Decreases (*)	(5,417)
Amounts written off	(3,346)
Exchange differences and other	(912)
Ending balance	**17,740**

(*) 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.

There was no similar breakdown before the implementation of IFRS 9 on January 1, 2018 (see Note 2.1).

Below are the changes in the period of nine months ended September 30, 2018 in the estimated impairment losses:

Changes in the estimated impairment losses (Millions of euros)

Balance as of December 31, 2017	**12,833**
First implementation adjustment of IFRS 9	1,171
Balance as of January 1, 2018	**14,004**
Acquisition of subsidiaries in the period	-
Increase in impairment losses charged to income	6,899
Stage 1	*1,194*
Stage 2	*812*
Stage 3	*4,893*
Decrease in impairment losses charged to income	(3,907)
Stage 1	*(1,215)*
Stage 2	*(667)*
Stage 3	*(2,025)*
Transfer to written-off loans, exchange differences and other	(4,328)
Closing balance as of September 30, 2018	**12,669**

There was no similar breakdown before the implementation of IFRS 9 on January 1, 2018 (see Note 2.1).

7. Fair Value

The criteria and valuation methods used to calculate the fair value of financial assets as of September 30, 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 nine months ended September 30, 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, cash balances at central banks and other demand deposits

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

	September 2018	December 2017
Cash on hand	5,894	6,220
Cash balances at Central Banks	31,070	31,718
Other demand deposits	7,836	4,742
Total	**44,800**	**42,680**

9. Financial Assets and Liabilities Held for Trading

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

	Notes	September 2018	December 2017
Derivatives		37,269	35,265
Debt securities	6	25,787	22,573
Loans and advances	6	22,358	56
Equity instruments	6	4,991	6,801
Total		**90,405**	**64,695**
Derivatives		38,912	36,169
Short positions		10,845	10,013
Deposits		32,053	-
Total		**81,810**	**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	September 2018
Equity instruments		3,031
Debt securities		300
Loans and advances		1,361
Total	**6**	**4,692**

This heading is included with the implementation of IFRS 9 on January 1, 2018. Previously, this category did not exist in IAS 39 (see Note 2.1).

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	September 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		-	648
Total	**6**	**1,302**	**2,709**
Deposits		974	-
Debt securities		2,788	-
Other financial liabilities		3,020	2,222
Unit-linked products		3,020	2,222
Total		**6,782**	**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	September 2018	December 2017
Debt securities		59,073	66,273
Impairment losses of Debt securities		(11)	(21)
Equity instruments	6	2,507	4,488
Impairment losses of Equity instruments		-	(1,264)
Loans and advances		33	-
Total		**61,602**	**69,476**

13. Financial assets at amortized cost

Financial assets at amortized cost (Millions of Euros)

	September 2018	December 2017
Debt securities	**32,042**	**24,093**
Of which: Impairment losses	(30)	(15)
Loans and advances to central banks	**3,268**	**7,300**
Of which: Impairment losses	**(1)**	**-**
Loans and advances to credit institutions	**12,087**	**26,261**
Of which: Impairment losses	(12)	(36)
Loans and advances to customers	**370,496**	**387,621**
Government	28,751	31,645
Other financial corporations	8,593	18,173
Non-financial corporations	161,336	164,510
Other	171,816	173,293
Of which: Impairment losses	(12,614)	(12,748)
Total	**417,893**	**445,275**

14. Investments in joint ventures, associates and unconsolidated subsidiaries

Joint ventures and associates (Millions of Euros)	September 2018	December 2017
Joint ventures	188	256
Associates	784	1,332
Total	**972**	**1,588**

15. Tangible assets

Tangible Assets. (Millions of Euros)	September 2018	December 2017
Property plant and equipment		
For own use		
Land and Buildings	5,620	5,490
Work in Progress	43	234
Furniture, Fixtures and Vehicles	6,113	6,628
Accumulated depreciation	(5,241)	(5,456)
Impairment	(293)	(315)
Subtotal	**6,242**	**6,581**
Leased out under an operating lease		
Assets leased out under an operating lease	378	492
Accumulated depreciation	(70)	(77)
Impairment	-	-
Subtotal	**308**	**415**
Subtotal	**6,551**	**6,996**
Investment property		
Building rental	161	224
Other	13	4
Accumulated depreciation	(12)	(13)
Impairment	(25)	(20)
Subtotal	**137**	**195**
Total	**6,688**	**7,191**

16. Intangible assets

Intangible Assets (Millions of Euros)	September 2018	December 2017
Goodwill	6,106	6,062
Other intangible assets	2,107	2,402
Total	**8,213**	**8,464**

17. Tax assets and liabilities

Tax assets and liabilities (Millions of Euros)

	September 2018	December 2017
Tax assets		
Current tax assets	1,779	2,163
Deferred	15,343	14,725
Tax assets	**17,122**	**16,888**
Tax Liabilities		
Current tax liabilities	899	1,114
Deferred tax liabilities	2,180	2,184
Tax Liabilities	**3,079**	**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 (Millions of Euros)

	September 2018	December 2017
Other assets		
Inventories	289	229
Real estate	292	226
Others	(3)	3
Transactions in progress	211	156
Accruals	1,091	768
Prepaid expenses	524	509
Other prepayments and accrued income	567	259
Insurance contracts linked to pensions	-	-
Other items	4,531	3,207
Total Other Assets	**6,122**	**4,359**
Other liabilities		
Transactions in progress	92	165
Accruals	2,860	2,490
Accrued expenses	2,104	1,997
Other accrued expenses and deferred income	756	493
Other items	2,147	1,894
Total Other liabilities	**5,098**	**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)

	September 2018	December 2017
Foreclosures and recoveries (*)	5,428	6,207
Other assets from tangible assets	513	447
Business assets (**)	497	18,623
Accumulated amortization (***)	(39)	(77)
Impairment losses	(755)	(1,348)
Total	**5,644**	**23,853**

(*) Corresponds to the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3).

(**) The change corresponds mainly to the sale of BBVA´s stake in BBVA Chile (see note 3).

(***) Amortization accumulated until related asset reclassified as "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	September 2018	December 2017
Deposits		428,027	467,949
Deposits from Central Banks (*)		28,631	37,054
Deposits from Credit Institutions	20.1	33,708	54,516
Customer deposits	20.2	365,687	376,379
Debt securities issued	20.3	62,022	63,915
Other financial liabilities	20.4	11,390	11,850
Total		**501,439**	**543,713**

(*) Of which: balance relating to repurchase agreement as of September 30, 2018 and December 31, 2017 is €2,701 million and €6,155 million, respectively.

20.1 Deposits from credit institutions

Deposits from credit institutions (Millions of Euros)

	Notes	September 2018	December 2017
Term deposits		19,657	25,941
Demand deposits		8,883	3,731
Repurchase agreements		5,168	24,843
Total	**20**	**33,708**	**54,516**

20.2 Customer deposits

Customer deposits (Millions of Euros)	Notes	September 2018	December 2017
General Governments		25,942	23,210
Current accounts		231,295	223,497
Time deposits		103,311	116,538
Repurchase agreements		1,116	9,076
Subordinated deposits		228	194
Other accounts		3,795	3,864
Total	**20**	**365,687**	**376,379**

20.3 Debt securities issued

Debt securities issued (Millions of Euros)	Notes	September 2018	December 2017
In Euros		**39,317**	**38,735**
Promissory bills and notes		287	1,309
Non-convertible bonds and debentures		10,013	9,418
Mortgage Covered bonds		16,289	16,425
Hybrid financial instruments		1,110	807
Securitization bonds issued		2,080	2,295
Wholesale funding		460	-
Subordinated liabilities		9,078	8,481
Convertible		5,494	4,500
Convertible perpetual securities		5,494	4,500
Non-convertible		3,583	3,981
Preferred Stock		107	107
Other subordinated liabilities		3,476	3,875
In Foreign Currencies		**22,704**	**25,180**
Promissory bills and notes		2,763	3,157
Non-convertible bonds and debentures		9,299	11,109
Mortgage Covered bonds		521	650
Hybrid financial instruments		1,634	1,809
Securitization bonds issued		42	47
Wholesale funding		193	-
Subordinated liabilities		8,255	8,407
Convertible		865	2,085
Convertible perpetual securities		865	2,085
Non-convertible		7,389	6,323
Preferred Stock		76	55
Other subordinated liabilities		7,314	6,268
Total	**20**	**62,022**	**63,915**

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20.4 Other financial liabilities

Other financial liabilities (Millions of Euros)	Notes	September 2018	December 2017
Creditors for other financial liabilities		2,764	2,835
Collection accounts		3,283	3,452
Creditors for other payment obligations		5,343	5,563
Interim dividend but pending payment		-	-
Total	**20**	**11,390**	**11,850**

21. Liabilities under insurance and reinsurance contracts

Liabilities under Insurance and Reinsurance Contracts Technical Reserves and Provisions (Millions of Euros)	September 2018	December 2017
Technical reserves	8,639	7,961
Provision for unpaid claims reported	666	631
Provisions for unexpired risks and other provisions	689	631
Total	**9,994**	**9,223**

22. Provisions

Provisions. Breakdown by concepts (Millions of Euros)	September 2018	December 2017
Pensions and other post employment defined benefit obligations	4,767	5,407
Other long term employee benefits	59	67
Pending legal issues and tax litigation	733	756
Commitments and guarantees given	592	578
Other provisions (*)	673	669
Total	**6,824**	**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 nine month periods ended September 30, 2018 and 2017 are as follows:

Consolidated Income Statement Impact (Millions of Euros)

	Notes	September 2018	September 2017
Interest income and expenses		59	56
Personnel expenses		121	125
Defined contribution plan expense	37.1	76	76
Defined benefit plan expense	37.1	45	49
Provisions (net)	39	112	263
Total impact on Income Statement: Expense (Income)		**292**	**444**

24. Capital

As of September 30, 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)

	September 2018	December 2017
Retained earnings	26,064	25,474
Revaluation reserves	3	12
Other reserves	(48)	(44)
Total	**26,019**	**25,442**

The impact of the first application of IFRS 9 is included in the heading "Retained Earnings" of the previous table (see Notes 1.3 and 2.1).

26. Accumulated other comprehensive income (loss)

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

	September 2018	December 2017
Items that will not be reclassified to profit or loss	**(1,426)**	**(1,183)**
Actuarial gains or (losses) on defined benefit pension plans	(1,218)	(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	(208)	-
Items that may be reclassified to profit or loss	**(9,079)**	**(7,609)**
Hedge of net investments in foreign operations [effective portion]	(23)	1
Foreign currency translation	(9,966)	(9,159)
Hedging derivatives. Cash flow hedges [effective portion]	(87)	(34)
Financial assets at fair value through other comprehensive income	1,034	1,641
Non-current assets and disposal groups classified as held for sale	1	(26)
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	(37)	(31)
Total	**(10,505)**	**(8,792)**

27. Minority interest (non-controlling interests)

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

	September 2018	December 2017
Garanti Group	3,504	4,903
BBVA Banco Continental Group	1,104	1,059
BBVA Banco Francés Group	303	420
BBVA Chile Group (*)	-	399
BBVA Colombia Group	68	65
BBVA Banco Provincial Group	67	78
Other entities	54	55
Total	**5,100**	**6,979**

(*) See Note 3.

Attributable to minority interest (non-controlling interests) Breakdown by Subsidiaries (Millions of Euros)	September 2018	September 2017
Garanti Group	501	634
BBVA Banco Continental Group	149	150
BBVA Banco Francés Group	-	70
BBVA Chile Group (*)	26	36
BBVA Colombia Group	7	4
BBVA Banco Provincial Group	(5)	-
Other entities	4	2
Total	**682**	**896**

(*) See Note 3.

28. Guarantees given and contingent commitments

Guarantees and commitments given (Millions of Euros)	Notes	September 2018	December 2017
Loan commitments given		116,219	94,268
Financial guarantees given		16,306	16,545
Contingent commitments given		35,690	45,738
Total	**6**	**168,215**	**156,551**

29. Off-balance sheet customer funds

Off-Balance Sheet Customer Funds by Type (Millions of Euros)	September 2018	December 2017
Mutual funds	64,081	60,939
Pension funds	33,709	33,985
Customer portfolios	31,055	36,901
Other resources	3,199	3,081
Total	**132,798**	**134,906**

30. Net Interest income

30.1 Interest income and other similar income

Interest Income and other similar income (Millions of Euros)		
	September 2018	**September 2017**
Central Banks	361	250
Loans and advances to credit institutions	321	226
Loans and advances to customers	16,944	16,671
Debt securities	2,867	2,843
Held for trading	1,164	957
Other portfolios	1,703	1,886
Adjustments of income as a result of hedging transactions	173	(197)
Insurance activity	824	967
Other income	221	701
Total	**21,711**	**21,461**

30.2 Interest expenses

Interest Expenses. (Millions of Euros)		
	September 2018	**September 2017**
Central banks	67	88
Deposits from credit institutions	1,589	1,090
Customers deposits	4,567	4,543
Debt securities issued	1,428	1,641
Adjustments of expenses as a result of hedging transactions	437	(375)
Cost attributable to pension funds	79	87
Insurance activity	423	693
Other expenses	222	492
Total	**8,812**	**8,259**

31. Dividend income

Dividend Income (Millions of Euros)	September 2018	September 2017
Dividends from:		
Financial assets held for trading		127
Financial assets at fair value through other comprehensive income	79	120
Other	16	-
Total	**95**	**247**

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 €11 million for the nine months ended September 30, 2018 compared with the negative impact of €1 million recorded for the nine months ended September 30, 2017.

33. Fee and commissions income and expenses

Fee and Commission Income (Millions of Euros)	September 2018	September 2017
Bills receivables	29	35
Demand accounts	337	375
Credit and debit cards	2,095	2,116
Checks	139	157
Transfers and others payment orders	438	440
Insurance product commissions	126	145
Commitment fees	171	180
Contingent risks	286	299
Asset Management fees	772	680
Securities fees	260	312
Custody securities	93	92
Other fees and commissions	514	531
Total	**5,259**	**5,364**

Fee and Commission Expense (Millions of Euros)	September 2018	September 2017
Credit and debit cards	1,070	1,084
Transfers and others payment orders	72	77
Commissions for selling insurance	36	43
Other fees and commissions	428	454
Total	**1,606**	**1,658**

34. Gains (losses) on financial assets and liabilities and Exchange differences

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

	September 2018	September 2017
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	124	748
Financial assets at fair value through other comprehensive income	77	689
Loans and receivables	36	85
Other	11	(26)
Gains (losses) on financial assets and liabilities held for trading, net	858	389
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	7	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	195	(70)
Gains (losses) from hedge accounting, net	48	(188)
Subtotal Gains or (losses) on financial assets and liabilities	**1,233**	**880**
Exchange Differences	(326)	536
Total	**907**	**1,416**

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

	September 2018	September 2017
Debt instruments	226	435
Equity instruments	212	818
Loans and advances to customers	(163)	78
Trading derivatives and hedge accounting	574	(346)
Customer deposits	311	(131)
Other	72	25
Total	**1,233**	**880**

35. Other operating income and expenses

Other operating income (Millions of Euros)

	September 2018	September 2017
Gains from sales of non-financial assets	1,229	941
Of which: Real estate	1,114	753
Rest of other operating income	377	253
Of which: net profit from building leases	30	49
Total	**1,606**	**1,194**

Other operating expense (Millions of Euros)

	September 2018	September 2017
Change in inventories	1,116	769
Of Which: Real estate	-	710
Rest of other operating expenses	1,219	913
Total	**2,335**	**1,682**

36. Income and expense on insurance and reinsurance contracts

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

	September 2018	September 2017
Income from insurance and reinsurance contracts	2,204	2,564
Expense from insurance and reinsurance contracts	(1,445)	(1,737)
Total	**759**	**827**

37. Administration costs

37.1 Personnel expenses

Personnel expenses (Millions of Euros)

	Notes	September 2018	September 2017
Wages and salaries		3,582	3,851
Social security costs		543	585
Defined contribution plan expense	23	76	76
Defined benefit plan expense	23	45	49
Other personnel expenses		317	370
Total		**4,563**	**4,931**

37.2 Other administrative expenses

Other Administrative Expenses (Millions of Euros)	September 2018	September 2017
Technology and systems	855	508
Communications	179	210
Advertising	249	278
Property, fixtures and materials	727	787
Of which: Rent expenses (*)	413	445
Taxes other than income tax	306	346
Other expenses	938	1,270
Total	**3,255**	**3,398**

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

38. Depreciation and amortization

Depreciation and amortization (Millions of Euros)	September 2018	September 2017
Tangible assets	443	528
For own use	440	518
Investment properties	3	10
Assets leased out under operating lease	-	-
Other Intangible assets	461	529
Total	**903**	**1,057**

39. Provisions or (reversal) of provisions

Provisions or reversal of provisions (Millions of Euros)	Notes	September 2018	September 2017
Pensions and other post employment defined benefit obligations	23	112	263
Other long term employee benefits		-	-
Commitments and guarantees given		(93)	(92)
Pending legal issues and tax litigation		163	286
Other Provisions		125	108
Total		**307**	**564**

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)	September 2018	September 2017
Financial assets at fair value through other comprehensive income	(14)	(13)
Debt securities	(14)	(13)
Equity instruments	-	-
Financial assets at amortized cost	2,643	2,931
Of which: Recovery of written-off assets	(457)	(393)
Total	**2,629**	**2,917**

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

Impairment or reversal of impairment on non-financial assets (Millions of Euros)	September 2018	September 2017
Tangible assets	(5)	15
Intangible assets	4	9
Others	7	90
Total	**6**	**114**

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

Gains or (losses) on derecognition of non financial assets and subsidiaries, net (Millions of Euros)	September 2018	September 2017
Gains		
Disposal of investments in non-consolidated subsidiaries	52	29
Disposal of tangible assets and other	78	53
Losses:		
Disposal of investments in non-consolidated subsidiaries	(12)	(25)
Disposal of tangible assets and other	(42)	(25)
Total	**76**	**32**

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)

	September 2018	September 2017
Gains on sale of real estate	142	49
Impairment of non-current assets held for sale	(139)	(73)
Gains on sale of investments classified as non current assets held for sale	866	82
Gains on sale of equity instruments classified as non current assets held for sale	-	-
Total	**869**	**58**

44. Subsequent events

On October 16, 2018, the Spanish Supreme Court issued a judgement (STS nº 1505/2018) which resolved that the bank granting a mortgage loan is the obliged tax payer of the stamp duty (impuesto de actos jurídicos documentados) resulting from the mortgage instead of the borrower, meaning a change to the Supreme Court case law applicable during decades. Moreover, such judgement declares null section 2 of article 68 of the Tax on Asset Transfers and Stamp Duty Regulation considering that the following reference is contrary to law: "when it refers to secured loan public deeds the lender shall be considered the acquirer".

The impact of such change in the case law would be assessed in view of the decision to be taken by the plenary meeting of Supreme Court Administrative Division (Sala Tercera del Tibunal Supremo), provided that its chair person, on October 19, 2018 requested to become aware of certain other outstanding judgments affecting the same matter in order to finally decide whether such change on the case law shall be confirmed or not.

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

BBVA, S.A. - Condensed interim balance sheets

ASSETS	September 2018 Circular 4/2017	Opening balance sheet 2018 Circular 4/2017	December 2017 Circular 4/2004 (*)
Cash, cash balances at central banks and other demand deposits	21,507	18,503	18,503
Financial assets held for trading	74,265	77,389	50,424
Non-trading financial assets mandatorily at fair value through profit or loss	4,429	4,699	
Financial assets designated at fair value through profit or loss	-	-	648
Financial assets at fair value through other comprehensive income	23,682	22,769	24,205
Financial assets at amortized cost	218,197	222,235	244,232
Held to maturity investments			8,354
Hedging derivatives	1,495	1,561	1,561
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(52)	(25)	(25)
Joint ventures, associates and unconsolidated subsidiaries	30,918	30,795	30,795
Insurance and reinsurance assets	-	-	-
Tangible assets	1,402	1,599	1,599
Intangible assets	855	882	882
Tax assets	13,344	13,204	12,911
Other assets	5,234	3,768	3,768
Non-current assets and disposal groups held for sale	1,772	2,226	2,226
TOTAL ASSETS	**397,048**	**399,605**	**400,083**

LIABILITIES AND EQUITY	September 2018 Circular 4/2017	Opening balance sheet 2018 Circular 4/2017	December 2017 Circular 4/2004 (*)
Financial liabilities held for trading	71,441	70,960	43,703
Financial liabilities designated at fair value through profit or loss	1,511	993	-
Financial liabilities at amortized cost	273,585	277,721	305,797
Hedging derivatives	1,323	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	7,333	7,661	7,605
Tax liabilities	1,192	1,233	1,240
Share capital repayable on demand	-	-	-
Other liabilities	2,930	2,207	2,207
Liabilities included in disposal groups classified as held for sale	-	-	-
TOTAL LIABILITIES	**359,315**	**362,095**	**361,872**
SHAREHOLDERS' FUNDS	37,828	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	39	47	47
Other equity	-	-	-
Retained earnings	-	-	-
Revaluation reserves	3	12	12
Other reserves	8,817	8,779	9,445
Less: Treasury shares	-		-
Profit or loss attributable to owners of the parent	2,613	2,083	2,083
Less: Interim dividends	(903)	(1,044)	(1,044)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(95)	374	409
TOTAL EQUITY	**37,733**	**37,510**	**38,211**
TOTAL EQUITY AND TOTAL LIABILITIES	**397,048**	**399,605**	**400,083**

MEMORANDUM	September 2018 Circular 4/2017	Opening balance sheet 2018 Circular 4/2017	December 2017 Circular 4/2004 (*)
Loan commitments given	65,243	54,631	54,631
Financial guarantees given	10,051	11,336	11,336
Other commitments and financial guarantees given	29,182	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. (continuation)

BBVA, S.A. - Condensed income statements

	September 2018 Circular 4/2017	September 2017 Circular 4/2004 (*)
Interest income	3,580	3,620
Interest expense	(1,000)	(1,038)
NET INTEREST INCOME	**2,580**	**2,582**
Dividend income	1,898	2,210
Share of profit or loss of entities accounted for using the equity method	-	-
Fee and commission income	1,526	1,491
Fee and commission expense	(288)	(284)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	27	479
Gains (losses) on financial assets and liabilities held for trading, net	294	34
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	15	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(9)	17
Gains (losses) from hedge accounting, net	22	(195)
Exchange differences (net)	(33)	267
Other operating income	81	119
Other operating expense	(244)	(244)
Income from insurance and reinsurance contracts	-	-
Expense from insurance and reinsurance contracts	-	-
GROSS INCOME	**5,869**	**6,476**
Administration costs	(3,037)	(3,014)
Depreciation and amortization	(339)	(415)
Provisions or reversal of provisions	(565)	(668)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(226)	(406)
NET OPERATING INCOME	**1,702**	**1,973**
Impairment or reversal of impairment of investments in subsidaries, joint ventures and associates	24	53
Impairment or reversal of impairment on non-financial assets	(21)	(3)
Gains (losses) on derecognition of non financial assets and subsidiaries, net	(16)	1
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	1,044	28
OPERATING PROFIT BEFORE TAX	**2,733**	**2,052**
Tax expense or income related to profit or loss from continuing operations	(120)	(146)
PROFIT FROM CONTINUING OPERATIONS	**2,613**	**1,906**
Profit from discontinued operations (net)	-	-
PROFIT	**2,613**	**1,906**

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

This appendix is an integral part of the consolidated financial statements corresponding to the nine month period ended September 30, 2018.

Creating Opportunities

Management Report

January-September 2018

Índex

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BBVA Group highlights

BBVA Group highlights (Consolidated figures)				
	IFRS 9		IAS 39	
	30-09-18	Δ %	30-09-17	31-12-17
Balance sheet (Millions of Euros)				
Total assets	668,985	(3.2)	690,797	690,059
Loans and advances to customers (gross)	383,111	(8.0)	416,240	400,369
Deposits from customers	365,687	(6.9)	392,865	376,379
Other customer funds	132,798	(3.6)	137,724	134,906
Total customer funds	498,485	(6.1)	530,589	511,285
Total equity	51,097	(6.1)	54,400	53,323
Income statement (Millions of Euros)				
Net interest income	12,899	(2.3)	13,202	17,758
Gross income	17,596	(6.9)	18,908	25,270
Operating income	8,875	(6.8)	9,522	12,770
Profit/(loss) before tax	6,012	(0.0)	6,015	6,931
Net attributable profit	4,323	25.3	3,449	3,519
The BBVA share and share performance ratios				
Number of shares (million)	6,668	0.0	6,668	6,668
Share price (euros)	5.49	(27.4)	7.56	7.11
Earning per share (euros) (1)	0.62	26.7	0.49	0.48
Book value per share (euros)	6.94	(2.4)	7.11	6.96
Tangible book value per share (euros)	5.70	(1.6)	5.79	5.69
Market capitalization (Millions of Euros)	36,607	(27.4)	50,416	47,422
Yield (dividend/price; %)	4.4		3.8	4.2
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	12.2		9.6	7.4
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	14.8		11.9	9.1
ROA (Profit or loss for the year/average total assets)	0.95		0.82	0.68
RORWA (Profit or loss for the year/average risk-weighted assets - RWA)	1.82		1.53	1.27
Efficiency ratio	49.6		49.6	49.5
Cost of risk	0.90		0.94	0.89
NPL ratio	4.1		4.6	4.6
NPL coverage ratio	73		72	65
Capital adequacy ratios (%)				
CET1 fully-loaded	11.3		11.2	11.1
CET1 phased-in (3)	11.6		11.9	11.7
Tier 1 phased-in (3)	13.3		13.1	13.0
Total ratio phased-in (3)	15.9		15.7	15.5
Other information				
Number of shareholders	895,809	(0.6)	900,807	891,453
Number of employees	126,357	(4.3)	132,019	131,856
Number of branches	7,999	(4.5)	8,374	8,271
Number of ATMs	31,396	0.6	31,214	31,688

General note: data as of 30-09-17 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 the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE would stand at 10.0%, in January-September of 2018; 8.5%, in January-September of 2017; and 6.4%, in 2017; and the ROTE at 11.8%, 10.2% and 7.7%, respectively.

(3) As of September 30, 2018 phased-in ratios include the temporary treatment on the impact of IFRS9 , calculated in accordance with Article 473 bis of Capital Resquirements Regulation (CRR). For 2017, the capital ratios are calculated under CRD IV from Basel III regulation, in which a phase-in of 80% is applied.

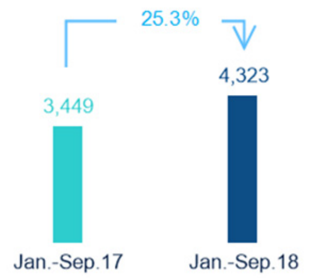
Group information

Relevant events

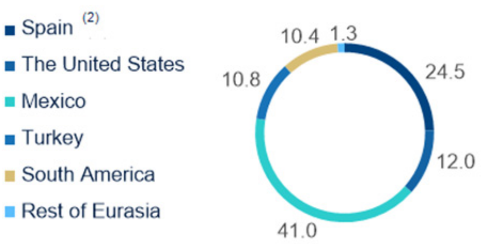
Results (pages 6-13)

- Generalized growth in **recurrent revenue** for almost all geographic areas.
- **Operating expenses** remain under control.
- Lower amount of **impairment on financial assets not measured at fair value through profit or loss** (hereinafter, "impairment on financial assets").
- The result of **corporate operations** amounted to €633 million and includes the capital gains (net of taxes) arising from the **sale** of approximately 68.2% of BBVA's equity stake in **BBVA Chile**.
- The net attributable **profit** was €4.323 million, 25.3% higher than in the first nine months of the previous year. Net attributable profit excluding results from corporate operations stood at €3,689 million or 7.0% higher than in the first nine months of the previous year.

Net attributable profit
(Millions of Euros)



Net attributable profit breakdown [1]
(Percentage. January-September 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 14-15)

- Lower volume of **loans and advances to customers** (gross). However, there was growth in United States, Mexico and South America (excluding BBVA Chile).
- **Non-performing loans** continue to improve.
- Within the **off-balance-sheet funds**, mutual funds continue to perform positively.

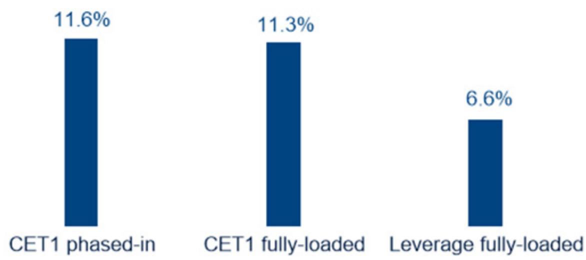
Hyperinflation in Argentina

- The financial statements of the Group for the third quarter includes, on one hand, the negative impact derived from the accounting for hyperinflation in Argentina (-€190 million) in the net attributable profit, and on the other hand, the positive impact on equity of €104 million.

Solvency (pages 16-17)

- The **capital** position is above regulatory requirements.
- BBVA has placed an issuance of €1 billion in of **preferred securities contingently convertible** into newly issued ordinary shares of BBVA. The remuneration has been set at 5.875%, matching the cheapest obtained by BBVA for this type of issuances.

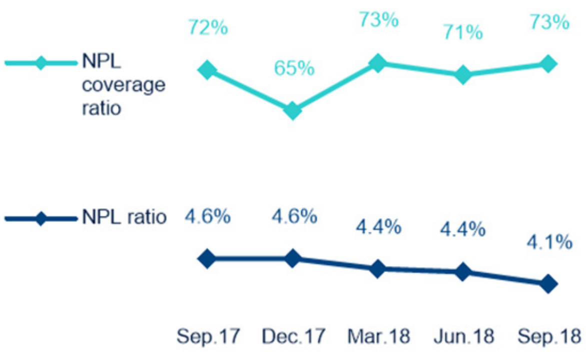
Capital and leverage ratios
(Percentage as of 30-09-18)



Risk management (pages 18-21)

- Solid indicators of the main **credit-risk metrics**: as of 30-September-2018, the NPL ratio closed at 4.1%, the NPL coverage ratio at 73% and the cumulative cost of risk at 0.90%.

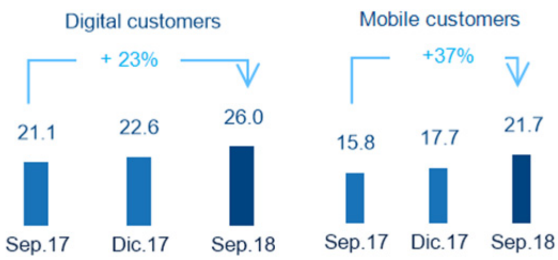
NPL and NPL coverage ratios (Percentage)



Transformation

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

Digital and mobile customers (Millions)



Other matters of interest

- On October 10, BBVA completed the sale agreement to Cerberus of 80% of the joint venture to which BBVA had transferred its real estate business in Spain. The Group's financial statements for the third quarter of 2018 do not include the impacts of this operation.
- BBVA has signed the sale to Blackstone of its 25.24% stake in Testa, valued at €478m, which is expected to close during the last quarter of the year.
- Regarding **shareholder remuneration**, on October 10, an amount on account of the 2018 fiscal year was paid in cash for a gross amount of €0.10 per share.

Impact of the initial implementation of IFRS 9

- The figures corresponding to the first nine months of 2018 are prepared under International Financial Reporting Standard 9 (IFRS 9), which entered into force on January 1, 2018. This new accounting standard did not require the comparative information from prior periods, so the comparative figures shown for the year 2017 have been prepared in accordance with the IAS 39 (International Accounting Standard 39) regulation in force at that time.
- The impacts derived from the first application of IFRS 9, as of January 1, 2018, were registered with a charge to reserves of approximately €900m mainly due to the allocation of provisions based on expected losses, compared to the model of losses incurred under the previous IAS 39.
- In capital, the impact derived from the first application of IFRS 9 has been a reduction of 31 basis points with respect to the fully-loaded CET1 ratio of December 2017.

Results

BBVA generated a net attributable **profit** of €4,323m in the first nine months of 2018, which represents a year-on-year increase of 25.3% (+43.0% at constant exchange rates). This increase includes the results from corporate operations originated by the capital gains net of taxes from the sale of BBVA Chile. Moreover, at constant exchange rates, it is worth mentioning the good performance of recurring revenue, containment of operating expenses and lower loan-loss impairments and provisions, which offset the lower contribution from net trading income (NTI) compared to the same period the previous year.

Consolidated income statement: quarterly evolution (Millions of Euros)

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

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

(2) Adjusted by additional Tier 1 instrument remuneration.

Consolidated income statement (Millions of Euros)				
	IFRS 9			IAS 39
	Jan.-Sep. 18	Δ %	Δ % at constant exchange rates	Jan.-Sep. 17
Net interest income	**12,899**	**(2.3)**	**10.2**	**13,202**
Net fees and commissions	3,653	(1.4)	9.4	3,705
Net trading income	907	(35.9)	(31.2)	1,416
Dividend income	95	(61.7)	(60.6)	247
Share of profit or loss of entities accounted for using the equity method	11	n.s.	n.s.	(1)
Other operating income and expenses	30	(91.1)	(89.3)	339
Gross income	**17,596**	**(6.9)**	**4.3**	**18,908**
Operating expenses	(8,721)	(7.1)	2.7	(9,386)
Personnel expenses	(4,563)	(7.5)	2.3	(4,931)
Other administrative expenses	(3,255)	(4.2)	6.6	(3,398)
Depreciation	(903)	(14.5)	(7.5)	(1,057)
Operating income	**8,875**	**(6.8)**	**5.8**	**9,522**
Impairment on financial assets not measured at fair value through profit or loss	(2,629)	(9.9)	(1.2)	(2,917)
Provisions or reversal of provisions	(307)	(45.7)	(43.1)	(564)
Other gains (losses)	73	n.s.	n.s.	(25)
Profit/(loss) before tax	**6,012**	**(0.0)**	**16.6**	**6,015**
Income tax	(1,641)	(1.7)	12.8	(1,670)
Profit/(loss) after tax from ongoing operations	**4,371**	**0.6**	**18.1**	**4,345**
Results from corporate operations [(1)]	633	-	-	-
Profit/(loss) for the year	**5,004**	**15.2**	**35.2**	**4,345**
Non-controlling interests	(682)	(23.9)	0.4	(896)
Net attributable profit	**4,323**	**25.3**	**43.0**	**3,449**
Net attributable profit excluding results from corporate operations	**3,689**	**7.0**	**22.0**	**3,449**
Earning per share (euros) [(2)]	**0.62**			**0.49**

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

(2) Adjusted by additional Tier 1 instrument remuneration.

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

Gross income

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

Gross income (Millions of Euros)

(1) At constant exchange rates: 4.3%.

Net interest income grew by 10.2% year-on-year with a general increase in all business areas, mainly in the United States, Mexico, Turkey and South America. In the third quarter, net interest income grew by 6.0% in comparison with the previous quarter.

Net interest income/ATAs (Percentage)

On the other hand, cumulative **net fees and commissions** (up 9.4% year-on-year) also registered a favorable evolution in all business areas of the Group, highly driven by their diversification. The quarterly figure moderated slightly (down 1.1% in the third quarter).

As a result, the **more recurring revenue items** (net interest income plus net fees and commissions) increased by 10.1% year-on-year (up 4.4% over the third quarter).

Net interest income plus fees and commissions
(Millions of Euros)

(1) At constant exchange rates: 10.1%.

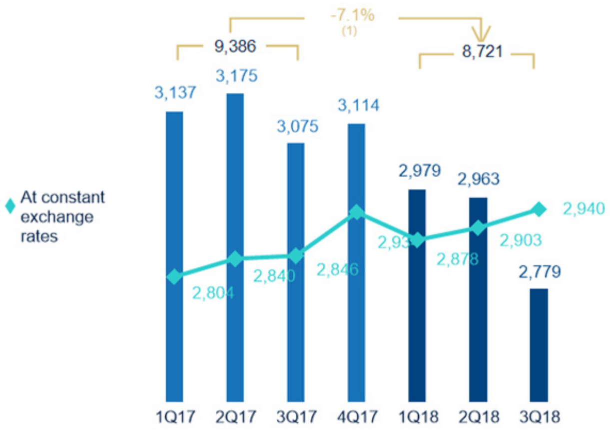
NTI between January and September of 2018 moderated in comparison with the same period of 2017, when it was exceptionally high, largely due to the registration of the capital gains of €228m before taxes, from market sales of the stake in China Citic Bank (CNCB): €-204 million in the first quarter, from the sale of 1.7% stake, and 24 million in the third quarter from the sale of the remaining 0.34%. There have also been lower sales of ALCO portfolios in Spain in the first nine months of 2018 compared to the same period of the previous year. By business areas, NTI had a good performance in Mexico, South America and Turkey.

Other operating income and expenses contributed €30m; 89.3% less in year-on-year terms, mainly due to negative impact of the hyperinflation in Argentina which meant a negative impact of €190m. The change is also explained by the higher contribution to the Single Resolution Fund -SRF- (€124m in Spain, compared to €98m the same period of 2017). The net contribution of the insurance business grew by 2.4% in accumulated terms (-0.7 % in the third quarter).

Operating income

Operating expenses for the first nine months of 2018 registered an increase of 2.7%, year-on-year, affected by the exchange rates (down 7.1% at current exchange rates). Cost discipline has been maintained in all the Group's areas through various efficiency plans. By business area the biggest reductions were in Spain and the Rest of Eurasia, year-on-year. In the other geographies, the growth of expenses was lower than the growth of gross income (in South America, excluding BBVA Chile).

Operating expenses (Millions of Euros)

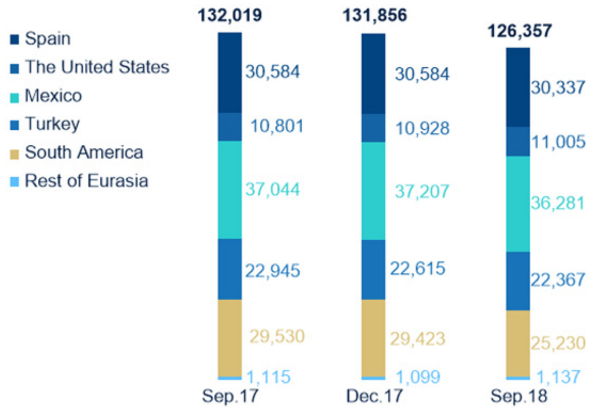


(1) At constant exchange rates: 2.7%.

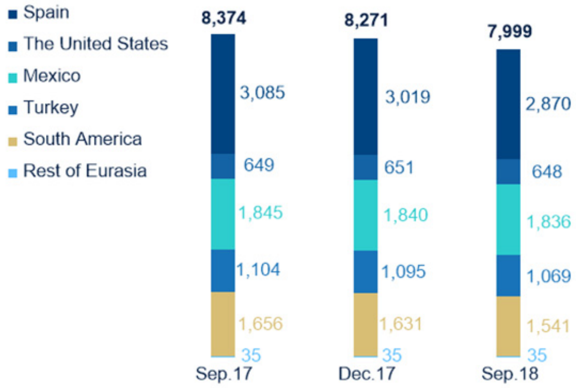
Breakdown of operating expenses and efficiency calculation (Millions of Euros)

	Jan.-Sep. 18	Δ %	Jan.-Sep. 17
Personnel expenses	**4,563**	**(7.5)**	**4,931**
Wages and salaries	3,582	(7.0)	3,851
Employee welfare expenses	664	(6.5)	710
Training expenses and other	317	(14.2)	370
Other administrative expenses	**3,255**	**(4.2)**	**3,398**
Property, fixtures and materials	727	(7.6)	787
IT	855	11.5	767
Communications	179	(14.7)	210
Advertising and publicity	249	(10.2)	278
Corporate expenses	73	(4.1)	76
Other expenses	864	(7.5)	935
Levies and taxes	306	(11.5)	346
Administration costs	**7,818**	**(6.1)**	**8,329**
Depreciation	**903**	**(14.5)**	**1,057**
Operating expenses	**8,721**	**(7.1)**	**9,386**
Gross income	**17,596**	**(6.9)**	**18,908**
Efficiency ratio (operating expenses/gross income; %)	**49.6**		**49.6**

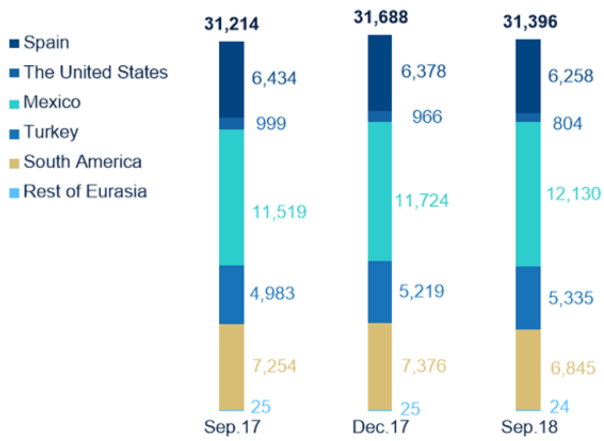
Number of employees



Number of branches

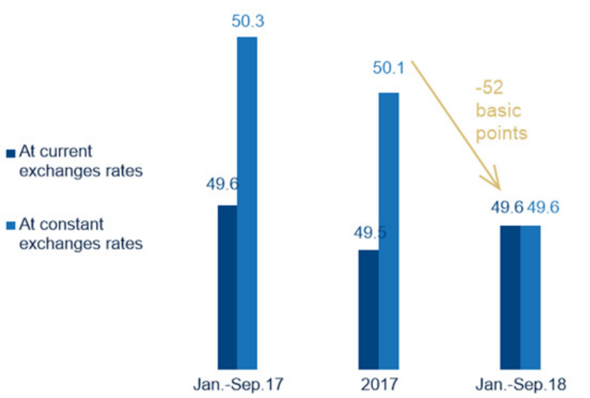


Number of ATMs

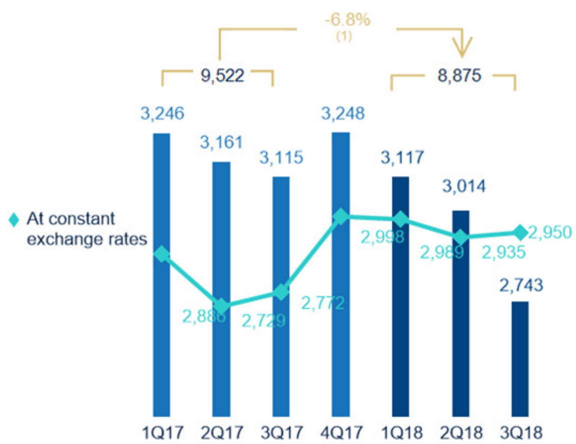


As a consequence of this evolution of expenses, the **efficiency ratio** improved to 49.6%, the same as the period the previous year while the **operating income**, year-on-year growth of 5.8% (+0.5% in the third quarter).

Efficiency ratio (Percentage)



Operating Income (Millions of Euros)



(1) At constant exchange rates: 5.8%.

Provisions and other

Impairment on financial assets for the period January-September 2018 decreased 1.2% in comparison with the figure for the same period in 2017. By business area, they continued to fall in Spain, due to lower loan-loss provisioning requirements for large customers. They also fell in the United States, due to the lower provisioning requirements in the portfolios affected by the 2017 hurricanes. They also decreased in Mexico and, to a lesser extent, in South America. In contrast, they increased in Turkey and the Rest of Eurasia concentrated in wholesale customer portfolios.

Impairment on financial assets (net) (Millions of Euros)

(1) At constant exchange rates: -1.2%.

The heading **provisions or reversal of provisions** (hereinafter, provisions) were 43.1% lower than the figure for the same period of 2017 (which included a charge of €177m for restructuring costs). The line **other gains (losses)** showed a positive balance compared to the negative one the previous year. This is due to the incorporated capital gains from the sale of certain portfolios in Mexico and Non Core Real Estate, while the previous year resulted in a negative balance due to certain operations with an unfavorable effect from the Non Core Real Estate area.

The heading of **corporate operations** amounted to €633m and registered the capital gains (net of taxes) originated by the sale of approximately 68.2% of the BBVA'S equity stake in BBVA Chile.

Results

As a result of the above, the Group's **net attributable profit** for the first nine months of 2018 reached an amount of €4,323m and continued to show a very positive evolution (up 43.0% year-on-year at constant exchange rates, up 25.3% at current exchange rates).

Net attributable profit, excluding results from corporate operations, stood at 3,689 million euros, or 7.0% higher than the amount recorded for the same period in 2017 (up 22.0% year-on-year at constant exchange rates).

By **business area**, Banking activity in Spain generated a profit of €1,167m, Non Core Real Estate a loss of only €60m, the United States contributed a profit of €541m, Mexico registered €1,851m, Turkey contributed a profit of €488m, South America €467m and the Rest of Eurasia €57m.

Net attributable profit (Millions of Euros)

(1) At constant exchange rates: 43.0%.

Earning per share (1) (Euros)

(1) Adjusted by additional Tier 1 instrument remuneration.

ROE and ROTE (1) (Percentage)

(1) The ROE and ROTE ratios include, in the denominator, the Group's average shareholders' funds and take into account the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE would stand at 8.5% in January-September 2017, 6.4% in 2017 and 10.0% in January-September 2018; and the ROTE on 10.2%, 7.7% and 11.8%, respectively.

ROA and RORWA (Percentage)

Balance sheet and business activity

The year-on-year comparison of the Group´s balance sheet and business activity has been affected by the sale of BBVA Chile, which as of September 30, 2018, was not included within the BBVA perimeter.

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

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

- Lower volume of **loans and advances to customers** (gross); however in the United States, Mexico and South America, excluding BBVA Chile, were up.
- **Non-performing loans** fell, above all, thanks to an improvement in Spain.
- The headings of **other assets and other liabilities** are affected by the sale of BBVA Chile completed in July. Until then, these items included BBVA Chile's balance sheet reclassified in the category of non-current assets and liabilities held for sale.
- In **deposits** from customers, there was a decrease in time deposits, offset by an increase in demand deposits, particularly in Spain.
- In **off-balance-sheet funds**, mutual funds continued to perform well.

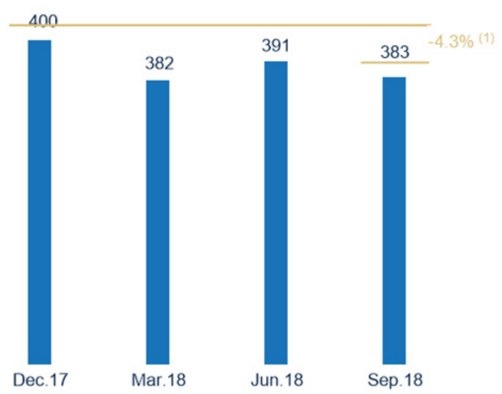
Consolidated balance sheet (Millions of Euros)

	30-09-18	Δ %	01-01-18
Cash, cash balances at central banks and other demand deposits	44,800	5.0	42,680
Financial assets held for trading	90,405	(1.6)	91,854
Non-trading financial assets mandatorily at fair value through profit or loss	4,692	8.2	4,337
Financial assets designated at fair value through profit or loss	1,302	27.7	1,019
Financial assets at fair value through accumulated other comprehensive income	61,602	(1.0)	62,202
Financial assets at amortized cost	417,893	(0.9)	421,710
Loans and advances to central banks and credit institutions	15,355	(13.3)	17,713
Loans and advances to customers	370,496	(0.9)	374,011
Debt securities	32,042	6.9	29,986
Investments in subsidiaries, joint ventures and associates	972	(38.8)	1,589
Tangible assets	6,688	(7.0)	7,191
Intangible assets	8,213	(3.0)	8,464
Other assets	32,417	(33.0)	48,369
Total assets	**668,985**	**(3.0)**	**689,414**
Financial liabilities held for trading	81,810	1.3	80,783
Other financial liabilities designated at fair value through profit or loss	6,782	23.4	5,495
Financial liabilities at amortized cost	501,439	(0.9)	506,018
Deposits from central banks and credit institutions	62,339	(9.6)	68,928
Deposits from customers	365,687	0.5	363,689
Debt certificates	62,022	0.6	61,649
Other financial liabilities	11,390	(3.1)	11,752
Liabilities under insurance and reinsurance contracts	9,994	8.4	9,223
Other liabilities	17,862	(49.7)	35,491
Total liabilities	**617,888**	**(3.0)**	**637,010**
Non-controlling interests	5,100	(27.2)	7,008
Accumulated other comprehensive income	(10,505)	18.2	(8,889)
Shareholders' funds	56,502	4.1	54,285
Total equity	**51,097**	**(2.5)**	**52,404**
Total liabilities and equity	**668,985**	**(3.0)**	**689,414**
Memorandum item:			
Guarantees given	45,207	(5.2)	47,668

Loans and advances to customers (Millions of Euros)

	IFRS 9		IAS 39
	30-09-18	Δ %	31-12-17
Public sector	**28,702**	**(4.1)**	**29,921**
Individuals	**169,594**	**3.0**	**164,578**
Mortgages	109,057	(2.9)	112,274
Consumer	28,332	(11.7)	32,092
Credit cards	12,527	(8.1)	13,630
Other loans	19,678	199.0	6,581
Business	**167,771**	**(10.0)**	**186,479**
Non-performing loans	**17,045**	**(12.1)**	**19,390**
Loans and advances to customers (gross)	**383,111**	**(4.3)**	**400,369**
Loan-loss provisions	(12,614)	(1.0)	(12,748)
Loans and advances to customers	**370,496**	**(4.4)**	**387,621**

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



(1) At constant exchange rates: -0.3%.

Customer funds
(Billions of Euros)

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

Customer funds (Millions of Euros)

	IFRS 9		IAS 39
	30-09-18	Δ %	31-12-17
Deposits from customers	**365,687**	**(2.8)**	**376,379**
Of which current accounts	251,666	4.5	240,750
Of which time deposits	107,458	(7.2)	115,761
Other customer funds	**132,798**	**(1.6)**	**134,906**
Mutual funds and investment companies	64,081	5.2	60,939
Pension funds	33,709	(0.8)	33,985
Other off-balance sheet funds	3,199	3.8	3,081
Customer portfolios	31,809	(13.8)	36,901
Total customer funds	**498,485**	**(2.5)**	**511,285**

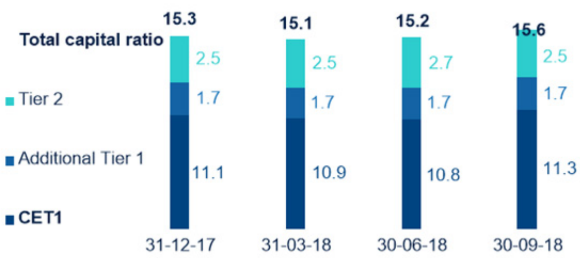
Solvency

Capital base

Fully-loaded CET1 ratio stood at 11.3% for the period ended September 30, 2018, above the Group's target ratio of 11%. In the third quarter of 2018, the sale of the stake in BBVA Chile generated a positive impact on the fully-loaded CET1 ratio of 50 basis points (pbs), in line with expectations. Additionally, transfer of the real estate business of BBVA in Spain to Cerberus is estimated to have no material impact on the ratios. Also note that the measures activated at the local level by the Turkish regulator and supervisor (BRSA) in the quarter have no impact on the Group at a consolidated level.

Risk weighted assets (**RWA**) have decreased in the year, excluding the effect of the sale of BBVA Chile, due to a large extent to the depreciation of currencies against the euro. The Group carried out two securitizations in the year, a standard one in June related to a portfolio of consumer finance car loans for an amount of €800 million and a synthetic one in March, on which the European Investment Fund (FEI, subsidiary of the European Investment Bank) granted a financial guarantee on an intermediate tranche of a total portfolio of €1,950 million of loans to SMEs. The positive impact on capital of both securitizations via the release of RWAs was €767 million. In addition, during the first semester BBVA received authorization from the European Central Bank (ECB) to update the RWA calculation for structural exchange rate risk under the standard model.

Evolution of fully-loaded capital ratios (Percentage)



Capital base (Millions of Euros)

	CRD IV phased-in				CRD IV fully-loaded			
	30-09-18 (1)	30-06-18	31-03-18	31-12-17	30-09-18 (1)	30-06-18	31-03-18	31-12-17
Common Equity Tier 1 (CET 1)	39,662	39,550	39,877	42,341	38,925	38,746	38,899	40,061
Tier 1	45,765	45,717	46,006	46,980	44,868	44,685	44,794	46,316
Tier 2	8,847	9,499	9,032	9,134	8,670	9,520	9,091	8,891
Total Capital (Tier 1 + Tier 2)	**54,612**	**55,216**	**55,038**	**56,114**	**53,538**	**54,205**	**53,885**	**55,207**
Risk-weighted assets	**343,051**	**356,985**	**358,386**	**361,686**	**343,271**	**357,205**	**356,847**	**361,686**
CET1 (%)	11.6	11.1	11.1	11.7	11.3	10.8	10.9	11.1
Tier 1 (%)	13.3	12.8	12.8	13.0	13.1	12.5	12.6	12.8
Tier 2 (%)	2.6	2.7	2.5	2.5	2.5	2.7	2.5	2.5
Total capital ratio (%)	**15.9**	**15.5**	**15.4**	**15.5**	**15.6**	**15.2**	**15.1**	**15.3**

General note: as of September 30, June 30 and 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.

Regarding **capital issues**, the Group has computed a new issuance of contingent convertible bonds (CoCos) as an AT1 instrument for an amount of US$1,000 million carried out in November 2017 and no longer includes an issuance of AT1 of US$1,500 million that was canceled in advance in May 2018. Likewise, the Group carried out in September a new issuance of contingent convertible bonds (CoCos) for €1,000 million. Once the regulator's authorization is received, this issuance will compute as AT1 with an impact of approximately +30 pbs on the fully-loaded Tier 1 ratio. Lastly, the Group received regulator's authorization in the quarter for the computation of a Tier 2 subordinated issue of US $300 million carried out in May, with a positive impact of about 8 bps on the fully-loaded total ratio.

The Group has continued with its program to meet the MREL requirements by closing two public issuances of non-preferred senior debt, for a total of €2,500 million.

In relation to **shareholder remuneration**, on October 10, BBVA paid the first cash dividend charged to the 2018 earnings, with an amount of €0.10 gross per share. The total amount disbursed by the Group was €667 million, with no impact on solvency since the capital ratios include the accrual of dividends in line with the published dividend pay-out policy of around 35-40% of the recurring profit. In addition, BBVA paid in cash, on April 10, 2018, the complementary dividend for 2017 for an amount of €0.15 gross per share.

As of 30-September-2018, the **phased-in CET1** ratio stood at 11.6%, 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 13.3% and **Tier 2** at 2.6% resulting in a **total capital ratio** of 15.9%. These levels are above the requirements established by the regulator in its SREP letter and the systemic buffers applicable in 2018 for BBVA Group. Since January 1, 2018, the requirement has been established at 8.438% for the phased-in CET1 ratio and 11.938% for the total capital ratio. The change with respect to 2017 is due to the steady implementation of the capital conservation buffers and the capital buffer applicable to other systemically important banks. The regulatory requirement for 2018 in fully-loaded terms remains unchanged (CET1 of 9.25% and total ratio of 12.75%) compared with the previous year.

In terms of MREL, the requirement that BBVA resolution group (BBVA S.A. and its subsidiaries) must reach as of January 1, 2020 will be 15.08% of total liabilities and own funds. With data as of December 31, 2016 (28.04% expressed in terms of RWAs). The Group estimates that it is currently in line with this MREL requirement.

Finally, the Group's **leverage** ratio maintained a solid position, with 6.6% fully-loaded (6.7% phased-in), which is still the largest of its peer group.

Ratings

During the first nine months of the year. S&P and DBRS and Moody's upgraded BBVA's rating to A3, A- and A (high), respectively. Throughout the third quarter of 2018, Moody´s, Fitch and S&P reaffirmed the rating given to BBVA (A3, A- and A-, respectively), being S&P the only one that placed BBVA's outlook in negative due to the recent trend of the Turkish economy.

Following these upgrades, all the agencies assign BBVA a category “A” rating, which did not occur since mid-2012, thus recognizing the strength and robustness of BBVA's business model.

Ratings

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

(1) Additionally, Moody's assigns an A2 rating to BBVA's long term deposits.

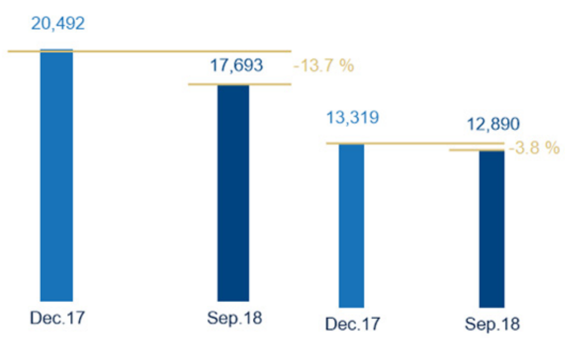
Risk management

Credit risk

As of the end of September 2018, BBVA Group's risk metrics continued to perform well:

- **Credit risk** decreased by -4.8%, -1.5% isolating the impact of the sale of BBVA Chile during the period (-2.5% and +0.8%, respectively, at constant exchange rates) with positive evolution in all business areas, with the exception of Banking activity in Spain and Non Core Real Estate where a contraction of the activity is observed. During the third quarter credit risk decreased by -5.2% (-3.6% at constant exchange rates). Isolating the sale of BBVA Chile, the credit risk would have fallen by -1.9% (-0.4% in constant terms).
- The **balance of non-performing loans** decreased during the last nine months by -13.7% (-10.9% in constant terms), highlighting the good behaviour of the Banking activity in Spain and, due to singular portfolio sale operations, of Non Core Real Estate. To a slighter degree, there is a favourable evolution in Mexico and the United States. South America was negatively impacted by some retail portfolios and specific customers that was partially offset by the sale of BBVA Chile, and Turkey deteriorated to some extent, especially in the wholesale- customer segment. During the third quarter the balance of non-performing loans showed a decrease (-10.0% at current exchange rates and of -7.9% in constant terms).
- The **NPL ratio** stood at 4.1% as of 30-September-2018, a reduction of 22 basis points with respect to June of 2018.
- **Allowances** decreased by -3.2% during the last 9 months (+1.6% at constant exchange rates) whereas the decrease over the quarter amounted to -7.6% (-4.6% in constant terms).
- **NPL coverage ratio** closed at 73% with an improvement of 786 basis points during the last 9 months and 185 basis points in the last 3 months.
- The cumulative **cost of risk** through September 2018 was 0.90%, +1 basis point higher than the figure for 2017.

Non-performing loans and provisions (Millions of Euros)



Credit risk [1] (Millions of Euros)

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

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

Non-performing loans evolution
(Millions of Euros)

	3Q18 (1)	2Q18 (2)	1Q178 (2)	4Q17 (2)	3Q17
Beginning balance	**19,654**	**19,516**	**20,492**	**20,932**	**22,422**
Entries	2,163	2,596	2,065	3,757	2,268
Recoveries	(1,962)	(1,655)	(1,748)	(2,142)	(2,001)
Net variation	**201**	**942**	**317**	**1,616**	**267**
Write-offs	(1,607)	(863)	(913)	(1,980)	(1,575)
Exchange rate differences and other	(554)	59	(380)	(75)	(181)
Period-end balance	**17,693**	**19,654**	**19,516**	**20,492**	**20,932**
Memorandum item:					
Non-performing loans	17,045	18,627	18,569	19,753	20,222
Non performing guarantees given	649	1,027	947	739	710

(1) Preliminary data.

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

Structural risks

Liquidity and funding

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

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 limits the spread of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity and funding is correctly reflected in the price formation process.

The financial soundness of the Group's banks continues to be based on the funding of lending activity, fundamentally through the use of stable customer funds. During the **first nine months** of 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 the United States, the liquidity situation is adequate. The credit gap increased during the year due to the dynamism of consumer and commercial credit as well as to the cost-containment strategy for deposits, in an environment of competition in prices and rising rates.
- In Mexico, the liquidity position is sound as the environment has improved after the electoral process and the new commercial agreement with the United States. The credit gap has widened year-to-date due to deposits growing less than lending.
- The liquidity situation in Turkey is stable, showing a reduction in the credit gap as a result of deposits growing faster than lending.
- In South America, the liquidity situation remains comfortable in all geographies. There has not been any material change in the liquidity situation of Argentina, despite the volatility of the markets.

On the **funding** side, the long-term wholesale funding markets in the geographic areas where the Group operates continued to be stable, with the exception of Turkey where the volatility increased during the third quarter, having stabilized at the end of the latter with the renewal of the maturities of syndicated loans of different entities.

During the first nine months of 2018, the companies that form part of BBVA Group carried out the following **operations**:

- BBVA S.A. completed three operations: an issuance of senior non-preferred debt for €1.5 billion, with a floating coupon at 3-month Euribor plus 60 basis points and a maturity of five years. It also carried out the largest issuance made by a financial institution in the Eurozone of the so-called “green bonds" (€1 billion). It was a 7-year senior non-preferred debt issuance, which made BBVA the first Spanish bank to carry out this type of issuance. The high demand allowed the price to be lowered to mid-swap plus 80 basis points. In the third quarter, BBVA carried out an issue of preferred securities contingently convertible into newly issued ordinary shares of BBVA (CoCos). This transaction was, for the first time, available to Spanish institutional investors and it was registered with the CNMV for an amount of €1 billion, an annual coupon 5.875% for the first five years and amortization option from the fifth year. Additionally, it closed a private issuance of Tier 2 subordinated debt for US$300m, with a maturity of 15 years, with a coupon of 5.25%.

- In the United States, BBVA Compass issued in June a senior debt bond for US$1.15 billion in two tranches, both at three years: US$700m at a fixed rate with a reoffer yield of 3.605%, and US$450m at a floating rate of 3-month Libor plus 73 basis points.
- In Mexico, BBVA Bancomer completed an international issuance of subordinated Tier 2 debt of US$1 billion. The instrument was issued at a price equivalent to Treasury bonds plus 265 basis points at a maturity of 15 years, with a ten-year call (BBVA Bancomer 15NC10). In addition, two new Banking Securities Certificates were issued for 7 billion Mexican pesos in two tranches, one of them being the first green bond issued by a private bank in Mexico (3.5 billion Mexican pesos at three years at TIIE28 + 10 basis points).
- In Turkey, Garanti issued the first private bond in emerging markets for US$75m over six years, to support women's entrepreneurship.
- In South America, in Chile, Forum issued senior debt on the local market for an amount equivalent to €108m. And BBVA Peru issued a three-year senior debt in the local market for an aggregate amount of €53m.

The liquidity coverage ratio (**LCR**) in BBVA Group remained comfortably above 100% in the period, without including any transfers between subsidiaries; in other words, no kind of excess liquidity levels in the subsidiaries abroad are considered in the calculation of the consolidated ratio. As of September 30, 2018, the LCR stood at 127%. Although this requirement is only established at Group level, the minimum level is widely exceeded in all the subsidiaries (Eurozone, 152%; Mexico, 134%; Turkey, 119%; and the United States, 145%).

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 nine months of **2018** were notable for the depreciation against the euro of the Turkish lira (down 34.7%) and the Argentine peso (down 50.6%), while the Mexican peso (+8.6%) and the U.S Dollar (+3.6%) appreciated. BBVA has maintained its policy of actively hedging its main investments in emerging countries, covering on average between 30% and 50% of the earnings for the year and around 70% of the excess of CET1 capital ratio (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 a negative two basis points for each of these currencies. In the case of the dollar, the sensitivity is approximately a positive eleven basis points to a depreciation of 10% of the dollar against the euro, as a result of RWAs denominated in U.S. Dollar. Given the context of the emerging markets, the coverage level of the expected earnings in Turkey at the beginning of 2018 is maintained at around 50% and, in the case of Mexico, it has been increased to approximately 100% for 2018 and 50% for 2019.

Interest rates

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

The Group's banks have fixed-income portfolios to manage their balance-sheet structure. In the **first nine months** of 2018, the results of this management were satisfactory, with limited risk strategies in all the Group's banks. Their capacity of resilience to market events has allowed them to face the cases of Italy and Turkey without any relevant impact.

After the formation of the new government in Italy, the reaction of the market to the first proposals on public spending has contributed to the sustained pressure on the Italian debt, however without significant impact on the capital ratio during the quarter.

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

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

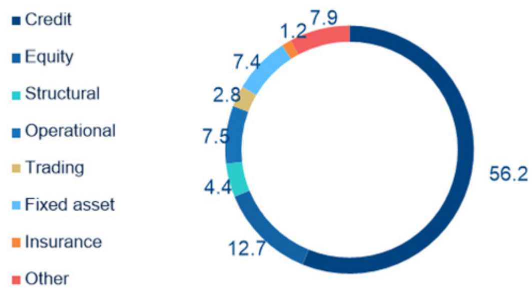
- No relevant changes in the Eurozone, where interest rates remain at 0% and the deposit facility rate at -0.40%.
- In the United States the upward trend in interest rates continues. The increases of 25 basis points each in March, June and September left the rate at 2.25%.
- In Mexico, after making two increases in the first half of the year, Banxico maintained the interest rates at 7.75%.
- In Turkey, after the increases in the first semester, in the third quarter the central bank raised interest rates twice for a total of 625 basis points, placing the average interest rate of the CBRT at 24.00%.

- In South America, the monetary authorities of Colombia and Peru have maintained their reference rates flat throughout the quarter, ending the cycle of reductions. In Argentina, the Central Bank has been forced to raise reserve requirements and reference rates as a measure of protection against the strong depreciation of the currency. In this way, the reference rates increased to 65% compared to the 40% at the beginning of this quarter. Bank reserves in local currency also rose by 18 percentage points.

Economic capital

Consumption of **economic risk capital** (ERC) at the close of August 2018, in consolidated terms, was €31,163m, equivalent to a decline of 4.9% compared to May of 2018. Variation within exact time period and at constant exchange rates was up 0.5%, which is mainly explained by the increase in credit risk due to higher activity levels and even if it is partially offset as well as by the sale of BBVA Chile and the variations in the ERC of goodwill and exchange rates.

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



The BBVA share

Global economic growth may have slowed slightly in the third quarter of 2018 to rates somewhat below 1% quarterly. Although the pace of expansion remains robust, it is geographically less synchronized, with the strength of the United States economy that contrasts with the moderation seen in China, Europe and some emerging economies. The fact that both the Federal Reserve (Fed) and the ECB have taken steps toward the normalization of their monetary policy and, although they continue to support activity, this process has led to an increase in financial tensions in the emerging economies due to the appreciation of the dollar and the reduction of liquidity However, the rebound in financial tensions has been especially concentrated in the more vulnerable emerging countries, with a clear difference between them . The main risk continues to be protectionism, despite the fact that the direct effect on global growth of the measures taken could be limited, the indirect impact of lower confidence and financial volatility could be felt in the coming quarters and increase uncertainty.

Most **stock-market indices** showed a downward trend during the first nine months of the year 2018. Thus, the Stoxx 50 and the Euro Stoxx 50 fell by 3.5% and 3.0%, respectively, year-to-date; while in Spain, the Ibex 35 lost 6.5% over the same period. In contrast, in the United States the S&P 500 index gained 9.0% in the last nine months (up 7.2% in the third quarter).

In Europe, the **banking sector** indices were notably more negative during the first nine months of 2018 than these general indices. The European Stoxx Banks index, which includes British banks, lost 14.8%, and the Eurozone bank index, the Euro Stoxx Banks, was down 18.3%. In contrast, in the United States the S&P Regional Banks index gained with a slight increase a 0.9% on the close of 2017.

The **BBVA share** closed September at €5.49, a fall of 22.8% for this year.

BBVA share evolution compared with European indices (Base indice 100=30-09-17)

The BBVA share and share performance ratios

	30-09-18	31-12-17
Number of shareholders	895,809	891,453
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	32,530,465	35,820,623
Daily average trading (Millions of Euros)	205	252
Maximum price (euros)	7.73	7.93
Minimum price (euros)	5.12	5.92
Closing price (euros)	5.49	7.11
Book value per share (euros)	6.94	6.96
Tangible book value per share (euros)	5.70	5.69
Market capitalization (Millions of Euros)	36,607	47,422
Yield (dividend/price; %) (1)	4.4	4.2

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

Regarding **shareholder remuneration**, on October 10, BBVA paid in cash a gross amount of €0.10 per share on account of the 2018 fiscal year. This payment is consistent with the shareholder remuneration policy announced by Relevant Event of February 1, 2017, that envisages, subject to the pertinent approvals by the corresponding corporate bodies, the payment of two dividends in cash, foreseeably on October and April of each year.

Shareholder remuneration (Euros gross/share)

As of September 30, 2018, the number of BBVA **shares** remained at 6,668 million, and the number of **shareholders** was 895,809. By type of investor, residents in Spain held 44.73% of the share capital, while the remaining 55.27% was owned by non-resident shareholders

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Shareholder structure 3Q18

	Shareholders		Shares	
Number of shares	Number	%	Number	%
Up to 150	180,107	20.1	12,805,559	0.2
151 to 450	180,147	20.1	49,323,895	0.7
451 to 1800	282,772	31.6	276,144,598	4.1
1,801 to 4,500	132,635	14.8	377,482,630	5.7
4,501 to 9,000	62,003	6.9	390,613,359	5.9
9,001 to 45,000	51,629	5.8	896,906,117	13.5
More than 45,001	6,516	0.7	4,664,610,422	70.0
Total	**895,809**	**100.0**	**6,667,886,580**	**100.0**

BBVA **shares** are included on the main stock-market indices, including the Ibex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 7.6%, 1.5% and 1.0% 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 3.8%.

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

Sustainability indices on which BBVA is listed as of 30-09-2018

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM — Listed on the DJSI World and DJSI Europe indices

MSCI 2017 Constituent MSCI ESG Leaders Indexes (1) — Listed on the MSCI ESG Leaders Indexes

AAA Rating

FTSE4Good — Listed on the FTSE4Good Global Index Series

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.

Responsible banking

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

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

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

In recognition of its responsible banking model and of BBVA´s efforts to advance sustainability issues, in September 2018 BBVA joined the Dow Jones Sustainability Index (DJSI), as mentioned in the section of the share.

In line with the European Commission Action Plan on sustainable finance, BBVA announced in this 2018 its **Pledge 2025**, the Bank's climate change and sustainable development strategy to meet the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change. It is a pledge to eight years (2018-2025) based on financing, managing and involving. BBVA is pledging to mobilize €100 billion in green and sustainable finance, infrastructures and agribusiness, social entrepreneurship and financial inclusion. In its pledge to manage environmental and social resources and minimize the potential direct and indirect negative impacts, BBVA has pledged that by 2025, 70% of energy bought by the Group will be renewable, thus reducing its CO_2 emissions by 68% compared to 2015. In addition, BBVA is pledged to engage all its stakeholders to boost the contribution of the financial sector to sustainable development.

To foster this contribution, BBVA presented in April the **SDG-linked bond framework**, under which it may issue what are called green bonds, social bonds or sustainable bonds. The existence of this framework is one of the characteristic elements of sustainable issues. In May, BBVA issued a **green bond** for €1 billion, the largest amount ever by a financial institution in the Eurozone, as well as being at the moment the first Spanish bank to carry out this type of issue. In this respect, in September, BBVA Bancomer carried out an issuance of this type of bonds amounting to 3.5 billion Mexican pesos, making it the first private bank in Mexico to successfully issue a bond with such characteristics.

Additionally, in the third quarter, BBVA Asset Management launched a global asset allocation fund managed under a Socially Responsible Investment (SRI) criteria. *BBVA Futuro Sostenible*, has a defensive risk profile, and completes the range of investment solutions with socially responsible criteria offered by BBVA Group fund manager. *BBVA Futuro Sostenible* is the first fund in Spain with a complete approach to SRI.

- Integration of SRI criteria for all asset classes with investment in the best companies and governments with environmental, social and corporate governance criteria.
- Lower carbon footprint than the benchmark.
- Impact investment based on the SDGs.
- Distribution of a quarter of the management commission in solidarity projects.
- Exclusion of companies that do not comply with the United Nations Global Compact, controversial sectors and worst companies and governments that do not meet our criteria of minimum standards in corporate, environmental and social governance.

Regarding responsible practices, BBVA published at the beginning of 2018 its **Human Rights Commitment**, an action plan that covers all the areas of the Group and its ecosystem. For BBVA, respect for the dignity of people and their rights is an essential condition for action and is very closely linked to the challenge that it has assumed of fostering and preserving the well-being of the communities in which it operates. This commitment is based on the UN Guiding Principles on Business and Human Rights.

In September, BBVA celebrated the Global Volunteer Week. More than 7,000 BBVA employees carried out around 325 volunteer and solidarity activities, organized by the bank, by employees and by other non-governmental organizations in more than 15 countries, to contribute to the Agenda of the Sustainable Development Goals established by the United Nations for 2030.

Business areas

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

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

- **Banking activity in Spain** includes the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the new loan production to developers or loans that are no longer in difficulties as well as the portfolios, funding and structural interest-rate positions of the euro balance sheet.
- **Non Core Real Estate** covers 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. On November 29, 2017, BBVA Group signed an agreement with Cerberus Capital Management, L.P. (Cerberus) for the creation of a joint venture in which the real-estate business area of BBVA in Spain would be transferred. At a later stage, 80% of this entity would be sold to a subsidiary of Cerberus. On October 10, 2018, the stated operation was closed, even though the effective transfer of some real-estate owned assets ("REOs") are subject to the fulfillment of certain conditions and in the meanwhile, BBVA will continue to manage those assets. With respect to the explanations of the quarterly report, the figures of Non Core Real Estate are disclosed continuously with prior periods.
- **The United States** includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.
- **Mexico** basically includes all the banking and insurance businesses carried out by the Group in the country. Since 2018 it has also included the BBVA Bancomer branch in Houston (in previous years located in the United States). Consequently, the figures from previous years have been reworked to incorporate this change and show comparable series.
- **Turkey** includes the activity of the Garanti group.
- **South America** basically includes BBVA's banking and insurance businesses in the region. On July 6, 2018, the sale of BBVA Chile to The Bank of Nova Scotia (Scotiabank) was completed which affects the comparability of the results, the balance sheet, the activity and the most significant ratios of this business area with prior periods.
- **The rest of Eurasia** includes the Group's retail and wholesale business activity in the rest of Europe and Asia.

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

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

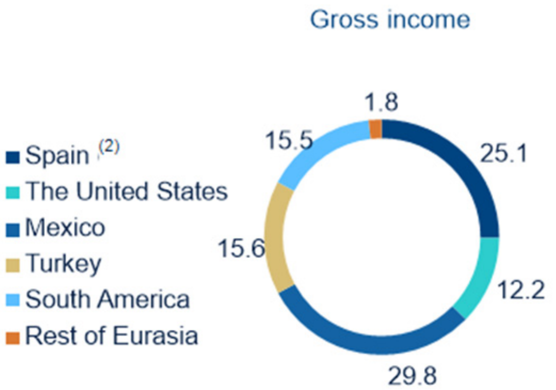
Finally, as usual, in the case of the Americas and Turkey areas, the results of applying constant **exchange rates** are given in addition to the year-on-year variations at current exchange rates.

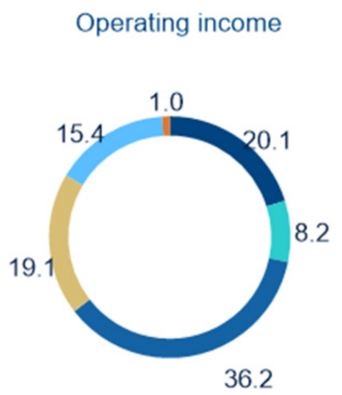
The **information by areas** is based on units at the lowest level and/or companies making up the Group, which are assigned to the different areas according to the main geographical area in which they carry out their activity.

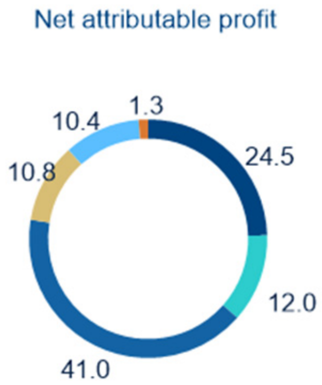
Major income statement items by business area (Millions of Euros)

		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**
Jan.-Sep. 18										
Net interest income	12,899	2,749	32	1,665	4,110	2,204	2,226	124	13,109	(210)
Gross income	17,596	4,516	(11)	2,182	5,340	2,801	2,777	317	17,921	(325)
Operating income	8,875	2,061	(69)	810	3,581	1,887	1,527	99	9,896	(1,022)
Profit/(loss) before tax	6,012	1,574	(75)	686	2,558	1,267	987	94	7,089	(1,077)
Net attributable profit	4,323	1,167	(60)	541	1,851	488	467	57	4,510	(188)
January-Sep. 17										
Net interest income	13,202	2,792	48	1,591	4,109	2,399	2,393	144	13,476	(274)
Gross income	18,908	4,734	(18)	2,139	5,351	3,008	3,340	367	18,920	(13)
Operating income	9,522	2,178	(92)	756	3,514	1,873	1,827	140	10,196	(674)
Profit/(loss) before tax	6,015	1,459	(349)	541	2,237	1,510	1,209	141	6,748	(733)
Net attributable profit	3,449	1,056	(274)	402	1,636	568	616	101	4,105	(656)

Gross income(1), operating income(1) and net attributable profit breakdown(1) (Percentage. January-september 2018)







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

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

		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)
30-09-18											
Loans and advances to customers	370,496	167,856	743	58,608	52,039	40,833	34,795	15,622	370,496	-	-
Deposits from customers	365,687	173,925	77	60,917	50,327	38,841	36,405	5,196	365,687	-	-
Off-balance sheet funds	100,989	64,150	2	-	22,323	2,583	11,548	383	100,989	-	-
Total assets/liabilities and equity	668,985	326,807	7,755	78,898	96,124	66,035	51,073	18,482	645,174	23,811	-
Risk-weighted assets	343,051	102,020	7,475	62,728	54,391	52,822	41,544	13,889	334,870	8,182	-
31-12-17											
Loans and advances to customers	387,621	183,172	3,521	53,718	45,768	51,378	48,272	14,864	400,693	-	(13,072)
Deposits from customers	376,379	177,763	13	60,806	49,964	44,691	45,666	6,700	385,604	-	(9,225)
Off-balance sheet funds	98,005	62,054	4	-	19,472	3,902	12,197	376	98,005	-	-
Total assets/liabilities and equity	690,059	319,417	9,714	75,775	94,061	78,694	74,636	17,265	669,562	20,497	-
Risk-weighted assets	361,686	108,141	9,692	58,688	44,941	62,768	55,975	15,150	355,354	6,332	-

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

Exchange rates (Expressed in currency/euro)

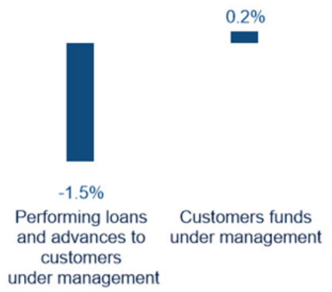
	Year-end exchange rates			Average exchange rates	
	30-09-18	Δ % on 30-09-17	Δ % on 31-12-17	Jan.-Sep. 18	Δ % on Jan.-Sep. 17
Mexican peso	21.7798	(1.5)	8.6	22.7371	(7.6)
U.S. dollar	1.1576	2.0	3.6	1.1944	(6.8)
Argentine peso	45.7373	(54.7)	(50.6)	45.7373	(60.4)
Chilean peso	765.70	(1.8)	(3.6)	750.19	(2.9)
Colombian peso	3,460.21	0.3	3.6	3,448.28	(4.9)
Peruvian sol	3.8148	1.1	1.7	3.8952	(6.7)
Turkish lira	6.9650	(39.7)	(34.7)	5.5066	(27.3)

Banking activity in Spain

Highlights

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

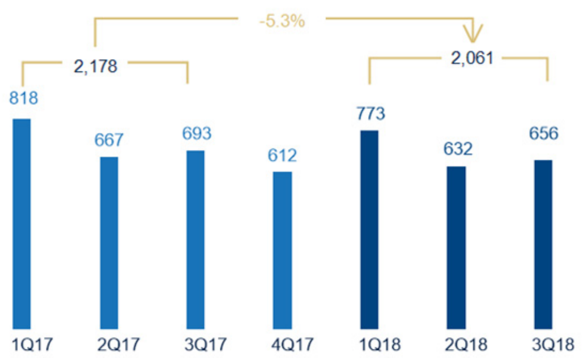
Business activity[1] (Year-on-year change. Data as of 30-09-18)



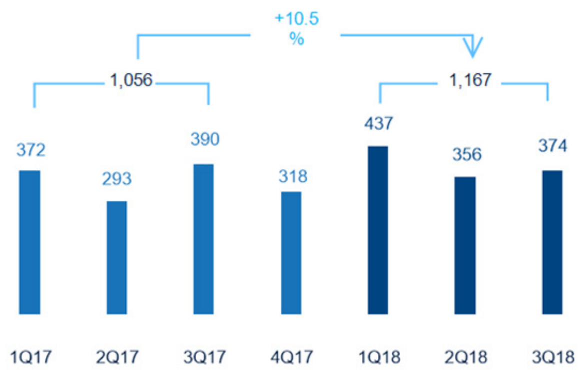
(1) Excluding repos.

Net interest income/ATAs (Percentage)

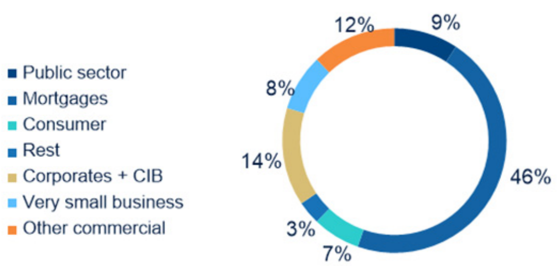
Operating income (Millions of Euros)



Net attributable profit (Millions of Euros)

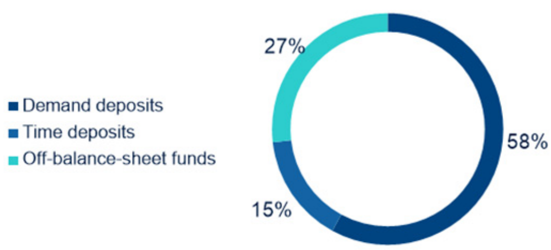


Breakdown of performing loans under management [1] (30-09-18)



(1) Excluding repos.

Breakdown of customer funds under management[1] (30-09-18)



(1) Excluding repos.

Macro and industry trends

According to the latest information from the National Institute of Statistics (INE for its acronym in Spanish), the Spanish **economy** grew quarterly by 0.6% in the second quarter of 2018, which results in a slight moderation in growth compared to the previous year. The most recent indicators show that this solid advance of the GDP has continued further in the second part of the year, despite increased uncertainty, supported by robust domestic factors related to the improvement of the labor market and favorable financial conditions. Both monetary and fiscal policy continue to support growth, while the recent depreciation of the euro and robust demand in the euro zone could give an additional boost to exports.

Regarding the Spanish **banking** system and according to July 2018 data from the Bank of Spain (latest published data), the total volume of lending to the private sector (household and corporate) continued to decline year-on-year (down 3.0%). Non-performing loans in the sector decreased significantly (down 27.3% year-on-year as of July 2018) due to the completion of a major sale of real-estate assets by one of the entities in the system during the first quarter of the year. At the end of July, the sector's NPL ratio was 6.35%, that is 25.1% below the figure registered in the previous year.

Activity

The most relevant aspects related to the area's activity year-to-date as of 30-September-2018 were:

- **Lending** (performing loans under management) are down by 2.0% compared to the figure at the end of December 2017 (down 1.5% year-on-year), mainly due to the reduction in the mortgage portfolio (down 2.5% in the last nine months) and in the public sector, corporates and other commercial portfolios (down 7.1% as a whole for the same period). In contrast, consumer financing and credit cards maintained a very positive performance (during the course of the year up 16.8%), which, together with the good performance of the SME portfolio, offset the reduction of mortgage loans.
- In **asset quality**, there was a further reduction in non-performing loans balances that positively affected the area's NPL ratio, which reduced by 22 basis points over the last three months to 5.0%. The NPL coverage ratio closed at 56%.
- Customer **deposits** under management grew by 0.6% in the quarter and remained flat compared to the close of December 2017 (up 0.1%). By products, there was a further decline in time deposits (down 24.1% year-to-date), which has been offset by the increase in demand deposits (up 9.3%).
- The **off-balance-sheet funds** showed an increase of 0.4% with respect to the balance reached in June, with positive net contributions to investment funds despite of the unfavorable evolution of the markets. The comparison with the closing of December 2017 continues to show a positive evolution (up 3.4%).

Results

The net attributable **profit** generated by the Banking Activity in Spain during the first nine months of 2018 reached €1,167 million, which represents a year-on-year increase of 10.5%, strongly supported by the favorable performance of commissions, operating expenses and provisions. The year-to-date highlights of the area's income statement are:

- **Net interest income** in the first nine months declined year-on-year by 1.5% although it remains stable in the quarter. The smaller contribution from targeted long-term refinancing operations (TLTRO) explained most of this decline.
- Positive performance of **net fees and commissions** (up 8% year-on-year), which offset the decline in net interest income. There was a significant contribution from asset management fees and banking commissions.
- Lower contribution from **NTI** compared to the same period of previous year (down 19.2%), associated with lower ALCO portfolio sales, taken into consideration the exceptionally good first half of last year.
- Reduction in **other income/expenses** (down 51.5% year-on-year). One of the aspects explaining this is the greater contribution made to the SRF compared to the same period of 2017. Also, net earnings from the insurance business showed an increase of 11.3%.
- As a result, the **gross income** decreased by 4.6%.
- **Operating expenses** continued the downward trend observed in previous periods (down 4.0% year-on-year). **The efficiency ratio** closed at 54.4%, below the figure registered at the close of 2017 (54.9%), and **operating income** fell by 5.3% during the last twelve months.
- Decline in **impairment losses on financial assets** (down 34.5% year-on-year) explained by lower gross additions to NPLs and loan-loss provisions for large customers. As a result, the cumulative cost of risk stood at 0.22% as of 30-September-2018.
- Lastly, **provisions (net) and other gains (losses)** showed a year-on-year decline of 28.7%.

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

Income statement	IFRS 9 Jan.-Sep. 18	Δ %	IAS 39 Jan.-Sep. 17
Net interest income	**2,749**	**(1.5)**	**2,792**
Net fees and commissions	1,268	8.0	1,174
Net trading income	318	(19.2)	394
Other operating income and expenses	182	(51.5)	375
of which Insurance activities (1)	356	11.3	320
Gross income	**4,516**	**(4.6)**	**4,734**
Operating expenses	(2,455)	(4.0)	(2,556)
Personnel expenses	(1,395)	(3.4)	(1,443)
Other administrative expenses	(844)	(2.9)	(869)
Depreciation	(216)	(11.3)	(244)
Operating income	**2,061**	**(5.3)**	**2,178**
Impairment on financial assets not measured at fair value through profit or loss	(281)	(34.5)	(429)
Provisions or reversal of provisions and other results	(207)	(28.7)	(290)
Profit/(loss) before tax	**1,574**	**7.9**	**1,459**
Income tax	(404)	0.9	(401)
Profit/(loss) for the year	**1,169**	**10.5**	**1,058**
Non-controlling interests	(2)	8.2	(2)
Net attributable profit	**1,167**	**10.5**	**1,056**

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

Balance sheets	IFRS 9 30-09-18	Δ %	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	18,559	37.9	13,463
Financial assets designated at fair value	103,418	30.1	79,501
of which loans and advances	21,474	n.s.	1,312
Financial assets at amortized cost	193,643	(12.5)	221,391
of which loans and advances to customers	167,856	(8.4)	183,172
Inter-area positions	4,276	136.8	1,806
Tangible assets	937	6.9	877
Other assets	5,973	151.0	2,380
Total assets/liabilities and equity	**326,807**	**2.3**	**319,417**
Financial liabilities held for trading and designated at fair value through profit or loss	68,819	86.9	36,817
Deposits from central banks and credit institutions	41,338	(33.6)	62,226
Deposits from customers	173,925	(2.2)	177,763
Debt certificates	31,613	(5.1)	33,301
Inter-area positions	-	-	-
Other liabilities	3,142	n.s.	391
Economic capital allocated	7,971	(10.6)	8,920

Relevant business indicators	30-09-18	Δ %	31-12-17
Performing loans and advances to customers under management (1)	163,868	(2.0)	167,291
Non-performing loans	9,590	(11.5)	10,833
Customer deposits under management (1)	174,972	0.1	174,822
Off-balance sheet funds (2)	64,150	3.4	62,054
Risk-weighted assets	102,020	(5.7)	108,141
Efficiency ratio (%)	54.4		54.9
NPL ratio (%)	5.0		5.5
NPL coverage ratio (%)	56		50
Cost of risk (%)	0.22		0.32

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

Non Core Real Estate

Highlights

- **Continued positive trend in the Spanish real-estate market, although with a more moderate growth rate.**
- **The operation with Cerberus closed in October, which reduces net real-estate exposure almost entirely.**
- **Significant reduction in losses in the area.**

Industry trends

The macroeconomic context continues to be favorable for the real-estate sector: among other factors, the economy is still generating jobs, household incomes continue to grow, consumer confidence is at relatively high levels, and demand among foreigners for homes remains buoyant. All this is in a context of low interest rates:

- After the significant increase in investment in housing in the first quarter of 2018, growth moderated in the second quarter. Despite this, in the first half of the year, **investment in housing** grew by a quarterly average of 1.6%, above the average growth of the economy, according to data from the National Quarterly Accounting Office of the INE.
- From January to August, 384,246 homes were sold in Spain, a year-on-year increase of 9.9%, according to information from the General Council of Spanish Notaries (CIEN).
- Housing **prices** accelerated in the second quarter of 2018 to 6.8% in year-on-year terms (INE figures).
- The interest rate applied to new loan operations was around 2.3% and the **cost of mortgage financing** remains at relatively low levels. As a result, new home loans grew by 16.9% in the first eight months of the year.
- Finally, **construction activity** continued to grow, in response to the increase in residential demand. According to data from the Ministry of Public Works, nearly 62,100 new housing construction permits were approved in the first seven months of the year, up 26.1% on the same period in 2017.

Activity

The decrease in the net real-estate **exposure** since the closing of 2017 was 14.9% and the net real-estate exposure amounted to €5,460m as of 30-September-2018.

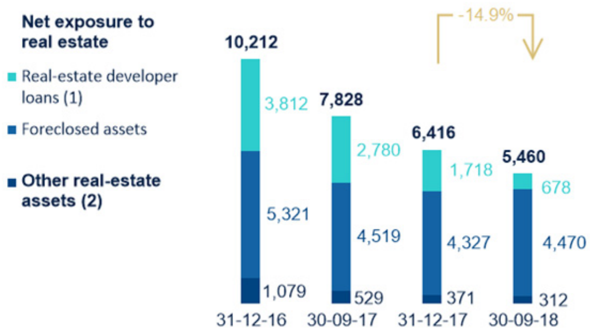
With regards to the loans to developers, an agreement about the sale of a portfolio of non-performing and written-off loans to developers with a gross amount of approximately €1 billion was closed with the Canada Pension Plan Investment Board (CPPIB).

Having received the regulatory authorizations, BBVA closed on October 10, 2018 the operation of the transfer of its real-estate business in Spain to Cerberus Capital Management, L.P. The closing of this operation implies the sale of 80% of the share capital of Divarian, the joint venture to which the real-estate business had been transferred, to Cerberus even though the effective transfer of some real estate owned assets ("REOs") is subject to the fulfillment of certain conditions and in the meanwhile, BBVA will continue to manage those assets. BBVA will hold the remaining 20% of the share capital of Divarian. BBVA estimates that this operation will not have a significant impact neither on the attributable profit of BBVA Group nor on the capital ratio CET1 fully-loaded.

The transfer includes both the real-estate assets and the necessary employees to manage this business. The transfer of some real-estate assets is subject to the fulfillment of certain conditions which are usual in this type of operations, as it was disclosed in the Relevant Event regarding the announcement of the agreement, and is the reason why the final sale's price will be adjusted according to the assets that finally will be transferred.

In addition, BBVA reached an agreement with Blackstone for the sale of its participation of its 25.24% stake in Testa for €478m. This operation, once the pending authorizations are received, represents a new milestone in the reduction of BBVA's real-estate exposure.

Evolution of Net exposure to real estate (Millions of Euros)



(1) Compared to Bank of Spain's Transparency scope (Circular 5/2011 dated November 30), real-estate developer loans do not include €2.3Bn (September 2018) mainly related performing loans to developers transferred to the Banking Activity in Spain area.
(2) Other real-estate assets not originated from foreclosures.

Coverage of real-estate exposure (Millions of Euros as of 30-09-18)

	Gross Value	Provisions	Net exposure	% Coverage
Real-estate developer loans (1)	**1,436**	**758**	**678**	**53**
Performing	**247**	**32**	**215**	**13**
Finished properties	177	24	153	14
Construction in progress	24	4	20	17
Land	43	3	40	8
Without collateral and other	3	1	2	23
NPL	**1,189**	**725**	**464**	**61**
Finished properties	432	216	216	50
Construction in progress	50	18	32	36
Land	597	406	190	68
Without collateral and other	110	85	26	77
Foreclosed assets	**11,568**	**7,098**	**4,470**	**61**
Finished properties	7,169	3,659	3,510	51
Construction in progress	519	345	174	66
Land	3,880	3,094	786	80
Other real-estate assets (2)	**814**	**503**	**312**	**62**
Real-estate exposure	13,818	8,358	5,460	60

(1) Compared to Bank of Spain's Transparency scope (Circular 5/2011 dated November 30), real-estate developer loans do not include €2.3 Bn (September 2018) mainly related performing loans to developers transferred to the Banking activity in Spain area.
(2) Other real-estate assets not originated from foreclosures.

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

Non-performing loan balances fell again, thanks to a lower number of new additions to NPLs and the recovery of activity over the quarter. The NPL coverage ratio was maintained at 61%.

Results

This business area posted a cumulative loss for the period between January and September of 2018 of €60m, which represents a positive evolution compared to a loss of €274m in the same period the previous year.

Financial statements (Millions of Euros)

Income statement	IFRS 9 Jan.-Sep. 18	Δ %	IAS 39 Jan.-Sep. 17
Net interest income	**32**	**(34.4)**	**48**
Net fees and commissions	3	(0.3)	3
Net trading income	6	n.s.	(0)
Other operating income and expenses	(51)	(26.1)	(69)
Gross income	**(11)**	**(38.5)**	**(18)**
Operating expenses	(58)	(21.4)	(74)
Personnel expenses	(36)	(3.3)	(38)
Other administrative expenses	(19)	(15.5)	(22)
Depreciation	(3)	(80.4)	(14)
Operating income	**(69)**	**(24.8)**	**(92)**
Impairment on financial assets not measured at fair value through profit or loss	(6)	(95.2)	(126)
Provisions or reversal of provisions and other results	0	n.s.	(131)
Profit/(loss) before tax	**(75)**	**(78.5)**	**(349)**
Income tax	15	(80.1)	75
Profit/(loss) for the year	**(60)**	**(78.1)**	**(274)**
Non-controlling interests	(0)	n.s.	1
Net attributable profit	**(60)**	**(78.0)**	**(274)**

Balance sheet	IFRS 9 30-09-18	Δ %	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	15	26.2	12
Financial assets designated at fair value	1,316	n.s.	9
of which loans and advances	1,326	n.s.	-
Financial assets at amortized cost	757	(78.5)	3,521
of which loans and advances to customers	743	(78.9)	3,521
Inter-area positions	-	-	-
Tangible assets	20	n.s.	0
Other assets	5,648	(8.5)	6,172
Total assets/liabilities and equity	**7,755**	**(20.2)**	**9,714**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	37	n.s.	0
Deposits from customers	77	n.s.	13
Debt certificates	465	(40.7)	785
Inter-area positions	5,043	(12.7)	5,775
Other liabilities	271	n.s.	-
Economic capital allocated	1,861	(40.7)	3,141
Memorandum item:			
Risk-weighted assets	7,475	(22.9)	9,692

The United States

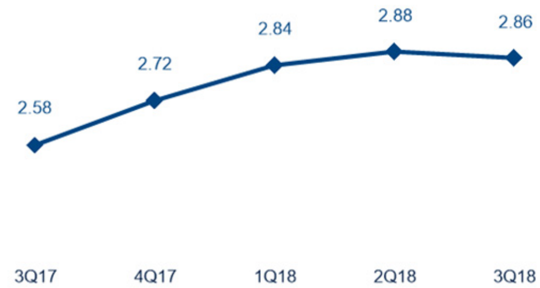
Highlights

- **Lending growth supported by consumer and business financing.**
- **Good performance of net interest income and provisions.**
- **Improvement in efficiency.**
- **Net attributable profit affected by the tax reform at the end of 2017.**

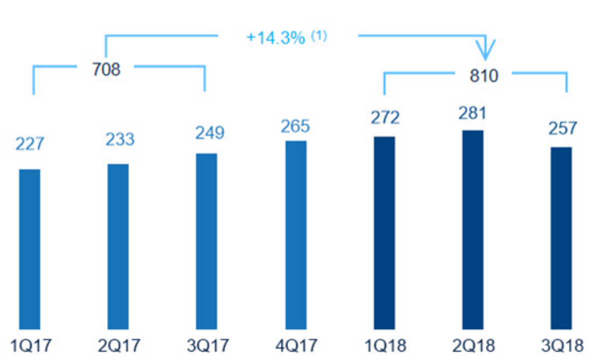
Business activity [1] (Year-on-year change at constant exchange rate. Data as of 30-09-18)

(1) Excluding repos.

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

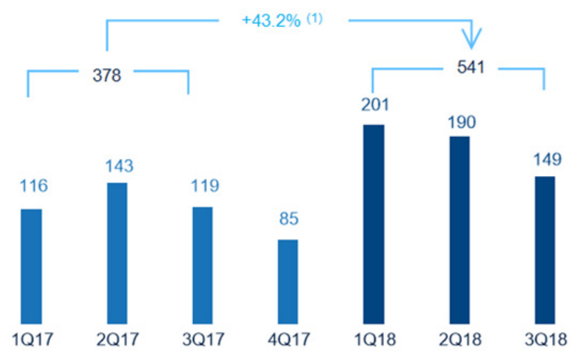


Operating income (Millions of Euros at constant exchange rate)



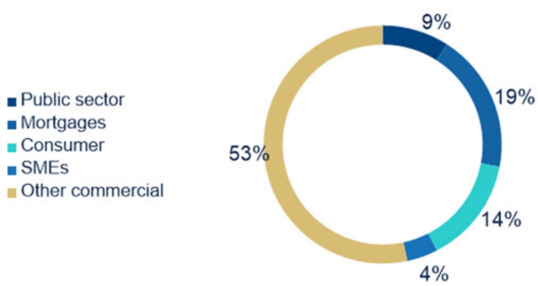
(1) At current exchange rate: 7.1%.

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



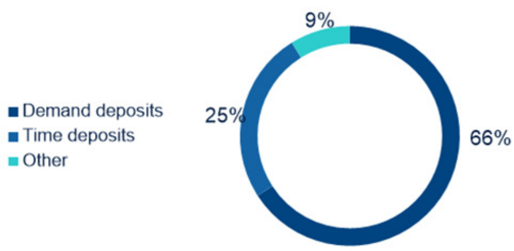
(1) At current exchange rate: 34.5%.

Breakdown of performing loans under management [1] (30-09-18)



(1) Excluding repos.

Breakdown of customer funds under management [1] (30-09-18)



(1) Excluding repos.

Macro and industry trends

According to the latest available information from the Bureau of Economic Analysis (BEA), the growth of the U.S. **GDP** accelerated significantly to 4.2% in annualized terms in the second quarter of 2018, offsetting the slowdown perceived at the beginning of year. This strong performance was explained by the strong increase in private consumption, both goods and services, which continued to be supported by solid fundamentals, such as the dynamism of the labor market and the higher growth of wages. In addition, external demand also contributed positively to growth, due to the strong increase in exports and the stagnation of imports. Given this context, the strength of domestic demand, partly driven by a more expansive fiscal policy, and the rebound in the price of oil, accelerated **inflation** to 2.7% (August data), and the Fed continued with its monetary policy normalization, with three increases of official interest rates of 25 basis points each year to date (up to the 2.00-2.25% range). It is expected to continue on this path for the remainder during this and next year.

The persistence of the expansive cycle in the country, together with the resurgence of uncertainty and financial volatility, associated with a combination of factors (among them, the fear of an escalating protectionism and a greater perception of risk on the vulnerability of emerging markets) have substantially revalued the **dollar** since the second quarter of 2018, which so far this year has appreciated by around 5%, with September closing data of the effective exchange rate weighted by the importance of its main trading partners.

The general situation of the country's **banking system** continued to be very positive. According to the latest available data from the Fed through August 2018, the total volume of bank credit in the system increased by 1.3% over the same month of the previous year, with a very similar performance in all the main portfolios. At the same time, deposits remained at the same level as the twelve prior months (up 0.1%). Lastly, non-performing loans continued their downward trend, with an NPL ratio of 1.59% at the end of the second quarter of 2018.

Activity

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

The most relevant aspects related to the area’s activity year-to-date as of 30-September-2018 were:

- **Lending activity** in the area (performing loans under management) continued an upward trend increasing by 4.9% year-to-date and 6.3% year-on-year.
- By **portfolio**, higher interest rates continued to affect negatively the mortgages and loans to developers (construction real estate). By contrast, the consumer and credit card loans, which have higher margins and are therefore more profitable, increased by 19.6% year-to-date. Both loans to SMEs (up 10.6%) and corporates (up 4.8%) also performed well.
- **Risk indicators** continued to be stable. The NPL ratio reduced to 1.1% and the NPL coverage ratio closed at 101%.
- Customer **deposits** under management decreased 3.3% year-to-date with a flat evolution of the demand deposits (up 0.6%) and a decline in the time deposits (down 11.3%). In comparison with September 2017, an increase of 4.2% is observable, mainly due to the deposit-gathering campaigns launched in 2017, with positive contributions to low cost deposits (up 4.4% in demand deposits and up 8.9% in time deposits).

Results

The United States generated a cumulative net attributable **profit** of €541m during the first nine months of 2018, up 43.2% higher than the same period of 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 12.0% year-on-year and 2.3% over the quarter. 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 financing) and reduce the cost of deposits (improved deposit mix and wholesale funding).

- **Net fees and commissions** declined by 2.9% year-on-year, due to a lower contribution from markets, investment banking and money remittances.
- **NTI** was down by 6.5% year-on-year, driven by lower valuations of interest-rate derivatives, which were partially offset by favorable trading gains from bonds and exchange rates.
- **Operating expenses** grew by 6.2% year-on-year, mainly due to greater activity related to the growth of consumer loans. This increase is lower than that shown by the gross margin (+9.1%). As a result, the efficiency ratio improved.
- **Impairment losses on financial assets** fell by 25.1% in the last twelve months, due to the lower provisioning requirements in those portfolios affected by the 2017 hurricanes. As a result, the cumulative cost of risk through 30-September-2018 declined to 0.33%.

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

	IFRS 9			IAS 39
Income statement	**Jan.-Sep. 18**	**Δ %**	**Δ %** [(1)]	**Jan.-Sep. 17**
Net interest income	**1,665**	**4.6**	**12.0**	**1,591**
Net fees and commissions	448	(9.0)	(2.9)	493
Net trading income	69	(11.1)	(6.5)	78
Other operating income and expenses	(0)	(99.1)	(99.0)	(23)
Gross income	**2,182**	**2.0**	**9.1**	**2,139**
Operating expenses	(1,373)	(0.7)	6.2	(1,383)
Personnel expenses	(784)	(1.9)	5.0	(799)
Other administrative expenses	(457)	3.3	10.5	(442)
Depreciation	(132)	(7.1)	(0.5)	(142)
Operating income	**810**	**7.1**	**14.3**	**756**
Impairment on financial assets not measured at fair value through profit or loss	(138)	(30.1)	(25.1)	(197)
Provisions or reversal of provisions and other results	14	n.s.	n.s.	(18)
Profit/(loss) before tax	**686**	**26.7**	**35.0**	**541**
Income tax	(145)	4.1	11.1	(139)
Profit/(loss) for the year	**541**	**34.5**	**43.2**	**402**
Non-controlling interests	-	-	-	-
Net attributable profit	**541**	**34.5**	**43.2**	**402**

	IFRS 9			IAS 39
Balance sheets	**30-09-18**	**Δ %**	**Δ %** [(1)]	**31-12-17**
Cash, cash balances at central banks and other demand deposits	4,389	(38.5)	(40.7)	7,138
Financial assets designated at fair value	10,525	(4.9)	(8.2)	11,068
of which loans and advances	175	212.2	201.4	56
Financial assets at amortized cost	60,940	11.4	7.5	54,705
of which loans and advances to customers	58,608	9.1	5.3	53,718
Inter-area positions	-	-	-	-
Tangible assets	662	0.6	(2.9)	658
Other assets	2,383	8.0	4.3	2,207
Total assets/liabilities and equity	**78,898**	**4.1**	**0.5**	**75,775**
Financial liabilities held for trading and designated at fair value through profit or loss	305	119.3	111.6	139
Deposits from central banks and credit institutions	4,477	25.1	20.7	3,580
Deposits from customers	60,917	0.2	(3.3)	60,806
Debt certificates	3,227	60.0	54.4	2,017
Inter-area positions	1,808	63.0	57.3	1,110
Other liabilities	5,060	(6.8)	(10.1)	5,431
Economic capital allocated	3,103	15.2	11.2	2,693

Relevant business indicators	30-09-18	Δ %	Δ % [(1)]	31-12-17
Performing loans and advances to customers under management [(2)]	58,729	8.7	4.9	54,036
Non-performing loans	679	(2.5)	(5.9)	696
Customer deposits under management [(2)]	60,913	0.2	(3.3)	60,806
Off-balance sheet funds [(3)]	-	-	-	-
Risk-weighted assets	62,728	6.9	3.2	58,688
Efficiency ratio (%)	62.9			64.4
NPL ratio (%)	1.1			1.2
NPL coverage ratio (%)	101			104
Cost of risk (%)	0.33			0.43

(1) Figures at constant exchange rate.

(2) Excluding repos.

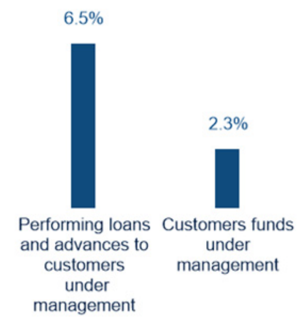
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Mexico

Highlights

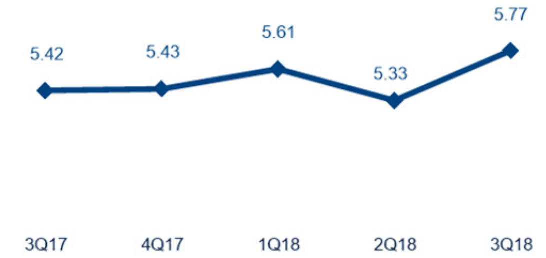
- **Good performance of the activity.**
- **Expenses continue to grow below the rate of gross income.**
- **Double-digit year-on-year growth in net attributable profit.**
- **Good asset quality indicators.**

Business activity [(1)] (Year-on-year change at constant exchange rate. Data as of 30-09-18)

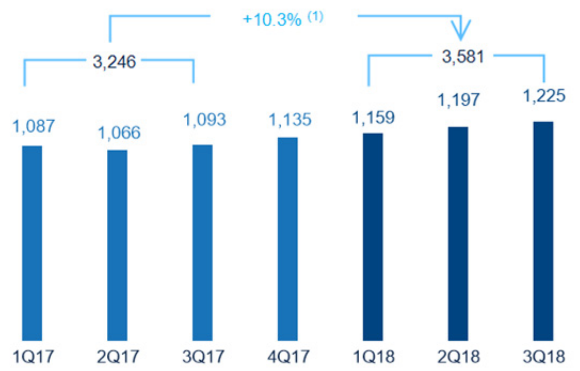


(1) Excluding repos.

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

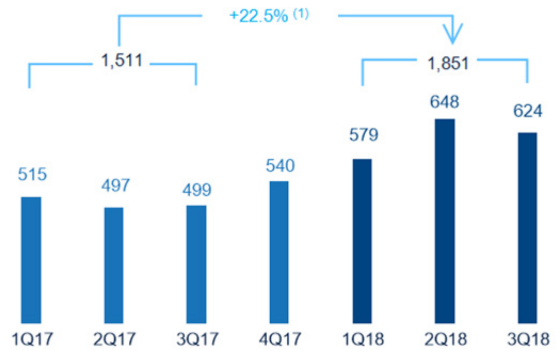


Operating income (Millions of Euros at constant exchange rate)



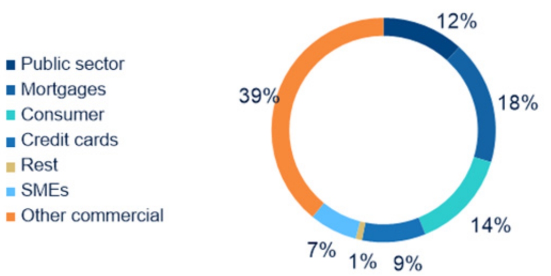
(1) At current exchange rate: 1.9%.

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



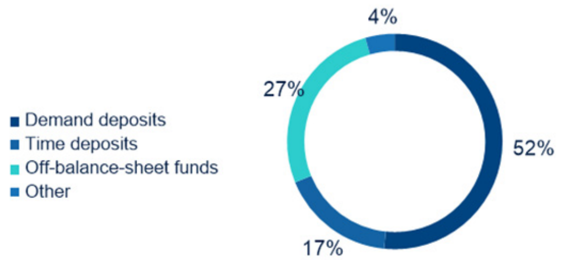
(1) At current exchange rate: 13.1%.

Breakdown of performing loans under management [(1)] (30-09-18)



(1) Excluding repos.

Breakdown of customer funds under management [(1)] (30-09-18)



(1) Excluding repos.

Macro and industry trends

GDP growth in Mexico shrunk by a quarterly 0.2% (down 0.6% annualized) in the second quarter, measured at adjusted by seasonality. This fall contrasts with the good performance showed by the economy during the two previous quarters, and is explained by the fall in consumption, private investment, and the a lower public investment, explained by the change in government. When analyzing the evolution of activity on the supply side, both services and trade have lost dynamism, while in the primary sector there was a significant drop. Additionally, there is lower production in the oil sector and a slowdown in exports of manufactured products, mainly due to commercial tensions with the United States. To this extent, the new trade agreement between these two countries and Canada (still pending endorsement) significantly reduces the uncertainty.

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

For yet another quarter, the Mexican **banking system** showed excellent levels of solvency and asset quality. According to the latest available information from the Mexican National Banking and Securities Commission (CNBV) in August 2018, activity remained as strong as in previous quarters, with year-on-year growth in the volume of lending and deposits at 10.5% and 10.3%, respectively. Both the NPL ratio (2.2%) and NPL coverage ratio (151%) were stable. Finally, solvency in the system is at a comfortable level, with a capital adequacy ratio of 15.61% as of the end of June 2018.

Activity

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

The most relevant aspects related to the area's activity year-to-date as of 30-September-2018 were:

- Increase in **lending** (performing loans under management) throughout the first nine months of 2018 (up 6.0%) and in year-on-year terms (up 6.5%). BBVA maintains its leading position in the country, with a market share of 22.8% in the outstanding portfolio of performing loans, according to local figures from the CNBV at the end of August 2018.
- By portfolios: the **wholesale portfolio**, which represents 51.8% of total lending, increased by 7.1% year-to-date and 6.9% in year-on-year terms, mainly driven by medium-sized companies. The **retail portfolio** increased by 4.9% (including small and medium-sized enterprises) during the first nine months of the year (up 6.0% year-on-year), strongly supported by consumer loans (payroll, personal and auto), which rose by 6.8% between January and September (6.9% year-on-year). The credit cards portfolio showed a slight decrease of 0.2% during the first nine months of the year whereas the year-on-year increase amounts to 3.1%. This is due to the high monthly amortization rate (over 95%) of the amount invoiced in the month by customers with this type of credits.
- With respect to the **asset quality** indicators of the quarter, the NPL ratio stayed stable at 2.0% (2.0% as at 30-June-2018) whereas the NPL coverage ratio closed at 149%.
- Total customer **funds** (customer deposits under management, mutual funds and other off-balance sheet funds) posted a year-to-date increase of 2.1% and a year-on-year growth of 2.3%, explained by the decrease in demand deposits (down 2.5% year-to-date, and down 2.2% year-on-year). On the other hand, time deposits grew by 10.9% and 9.2%, respectively. Mutual funds increased by 7.3% year-to-date (up 8.4% year-on-year).
- A profitable funding mix: low-cost items account for 75% of total customer deposits under management.

Results

BBVA in Mexico posted a net attributable **profit** in the first nine months of 2018 of €1,851 million, a year-on-year increase of 22.5%. Main highlights on the income statement are:

- Positive performance of **net interest income**, which increased by 8.3% year-on-year, even higher than the increase in volumes of activity (up 6.5%).
- Good performance of **net fees and commissions**, with growth of 7.3% over the last twelve months, driven mainly by an increased activity in mutual funds and investment banking as well as a higher volume of transactions with credit card and electronic banking customers.
- **NTI** increased (up 19.3% year-on-year) due to the positive results from the Global Markets Unit.
- In **other income/expenses**, the comparison was negative year-on-year (down 7.0%) because the good performance from insurance activity was not able to compensate the contributions to the FGD.

- **Operating expenses** continued to grow at a controlled pace (up 3.7% year-on-year) and below the area's **gross income** growth of 8.0%. As a result, the efficiency ratio has continued to improve and stood at 32.9% as of 30-September-2018.
- Adequate risk management has been reflected in the 9.9% decline in **impairment losses on financial assets**, explained by a change in the mix of the loan portfolio. As a result, the cumulative cost of risk in the area closed at 2.82% 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 in the first quarter of 2018, and the capital gain from the sale of a building by Bancomer in the second quarter of 2018.

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

Income statement	IFRS 9 Jan.-Sep. 18	Δ %	Δ % (1)	IAS 39 Jan.-Sep. 17
Net interest income	**4,110**	**0.0**	**8.3**	**4,109**
Net fees and commissions	900	(0.9)	7.3	908
Net trading income	199	10.2	19.3	180
Other operating income and expenses	131	(14.1)	(7.0)	153
Gross income	**5,340**	**(0.2)**	**8.0**	**5,351**
Operating expenses	(1,759)	(4.2)	3.7	(1,836)
Personnel expenses	(761)	(3.6)	4.4	(789)
Other administrative expenses	(810)	(4.9)	2.9	(852)
Depreciation	(188)	(3.5)	4.5	(195)
Operating income	**3,581**	**1.9**	**10.3**	**3,514**
Impairment on financial assets not measured at fair value through profit or loss	(1,055)	(16.8)	(9.9)	(1,268)
Provisions or reversal of provisions and other results	32	n.s.	n.s.	(9)
Profit/(loss) before tax	**2,558**	**14.3**	**23.8**	**2,237**
Income tax	(707)	17.7	27.4	(601)
Profit/(loss) for the year	**1,851**	**13.1**	**22.5**	**1,636**
Non-controlling interests	(0)	11.8	21.0	(0)
Net attributable profit	**1,851**	**13.1**	**22.5**	**1,636**

Balance sheets	IFRS 9 30-09-18	Δ %	Δ % (1)	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	6,225	(29.5)	(35.1)	8,833
Financial assets designated at fair value	26,955	(5.8)	(13.3)	28,627
of which loans and advances	130	(91.7)	(92.3)	1,558
Financial assets at amortized cost	58,815	23.3	13.5	47,691
of which loans and advances to customers	52,039	13.7	4.7	45,768
Tangible assets	1,804	3.1	(5.1)	1,749
Other assets	2,326	(67.5)	(70.1)	7,160
Total assets/liabilities and equity	**96,124**	**2.2**	**(5.9)**	**94,061**
Financial liabilities held for trading and designated at fair value through profit or loss	16,300	73.3	59.5	9,405
Deposits from central banks and credit institutions	2,659	(54.6)	(58.2)	5,853
Deposits from customers	50,327	0.7	(7.3)	49,964
Debt certificates	8,575	17.3	7.9	7,312
Other liabilities	13,986	(20.7)	(27.0)	17,627
Economic capital allocated	4,278	9.7	1.0	3,901

Relevant business indicators	30-09-18	Δ %	Δ % [1]	31-12-17
Performing loans and advances to customers under management [2]	52,049	15.2	6.0	45,196
Non-performing loans	1,136	1.1	(7.0)	1,124
Customer deposits under management [2]	49,263	9.2	0.6	45,093
Off-balance sheet funds [3]	22,323	14.6	5.5	19,472
Risk-weighted assets	54,391	21.0	11.4	44,941
Efficiency ratio (%)	32.9			34.4
NPL ratio (%)	2.0			2.3
NPL coverage ratio (%)	149			123
Cost of risk (%)	2.82			3.24

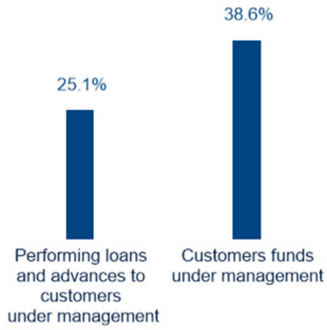
(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Turkey

Highlights

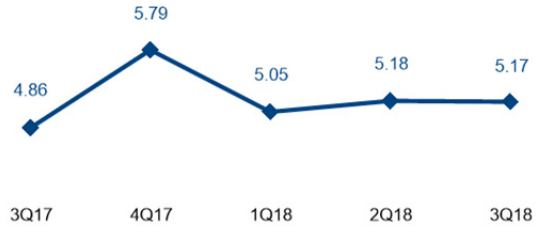
- **Activity impacted by the evolution of exchange rates.**
- **Good performance of recurring revenue items.**
- **Control of operating expenses.**
- **Risk indicators affected by the update of the macroeconomic scenario and certain negative impacts of the portfolio of wholesale customers.**

Business activity [1] (Year-on-year change at constant exchange rate. Data as of 30-09-18)

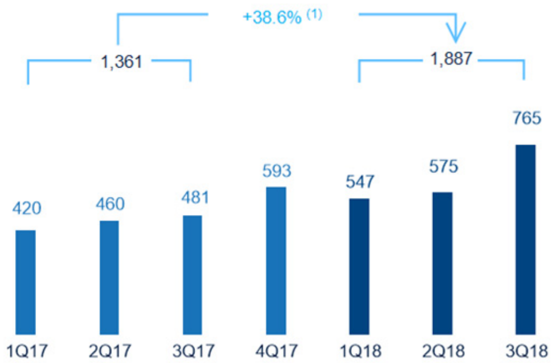


(1) Excluding repos.

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

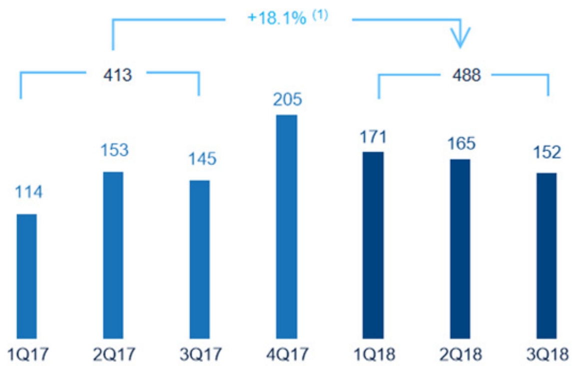


Operating income (Millions of Euros at constant exchange rate)



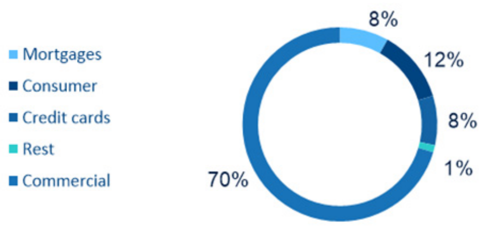
(1) At current exchange rate: 0.8%.

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



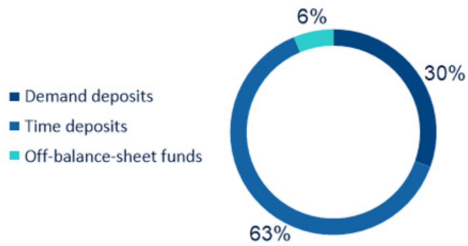
(1) At current exchange rate: -14.1%

Breakdown of performing loans under management [1] (30-09-18)



(1) Excluding repos.

Breakdown of customer funds under management [1] (30-09-18)



(1) Excluding repos.

Macro and industry trends

According to the most recent figures from the Turkish Statistical Institute, Turkey's year-on-year **economic growth** was 5.2% in the second quarter of 2018, supported by lower contribution of domestic demand, while external demand contribution turned positive.

Interannual inflation climbed to 24.5% in September (the highest level since June 2003), as a result of the currency depreciation, the increase in costs and high food inflation, caused by unfavourable weather conditions.

The CBRT hiked its funding **interest rate** by 625 basis points (1,125 basis points year-to-date increase) up to 24.0% in its September meeting. CBRT decisions do not only help to fight against inflation and inflation expectations but also to support financial stability by reducing pressures on the currency.

The New Economic Program (NEP) of the Turkish Government recommends a more prudent fiscal consolidation plan which will help maintain the public accounts balanced and will support monetary policy in order to balance the economy towards a more sustainable path. The plan contains a mid-term deficit goal of 1.7% over GDP.

Regarding the Turkish **financial sector** evolution, year-on-year credit growth has decelerated during the third quarter of 2018, mainly due to business lending. By the end of September 2018, the year-on-year total lending growth rate (adjusted for the depreciation of the lira effect) reached up to 9.0%. Deposits from customers also have shown a slow-down trend. The year-on-year total deposits growth rate fell to 6.4% (adjusted for the depreciation of the lira effect). Turkish-lira deposits grew by 12.5% and foreign-currency deposits (mainly in U.S. dollars) decreased by 10.2%. Lastly, the NPL ratio closed at 3.1% for September (15 basis points rise in the third quarter).

Activity

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

The most relevant aspects related to the area's activity year-to-date as of September 30, 2018 have been:

- **Lending** activity growth (performing loans under management) grew by 19.7% year-to-date (up by 25.1% in year-on-year terms) driven by the evolution of exchange rates. Garanti Bank Turkish-lira loans remained flat in the quarter and as a result, year-to-date growth stood at 8.5%. Furthermore, Garanti Bank foreign-currency loans (in U.S. dollars) decreased by -8.3% year-to-date.
- By **segments**, although business banking and consumer loans in Turkish-lira grew during the first half of the year, Turkish-lira lending, as aforementioned, remained flat in the third quarter, mainly due to increasing interest rates.
- In terms of **asset quality**, the NPL ratio closed at 5.2% due to the worsening of macroeconomic conditions and the inflow of certain doubtful clients. On the other hand, the NPL coverage ratio stood at 76%.
- Customer **deposits** (59% of total liabilities in the area as of September 30, 2018) remained the main source of funding for Turkish´s balance sheet and grew by 33.6% in year-to-date (up 41.1% in year-on-year terms) highly supported by the growth of Garanti Bank Turkish-lira deposits and the increase in exchange rates. In a quarterly basis, Turkish-lira customer deposits increased by 9.1% and strengthened Garanti Bank funding source. Nevertheless, during the third quarter of 2018, foreign-currency customer deposits (in U.S. dollars) followed a declining trend by -3.0%. Sound performance of demand deposits (almost zero cost) with a weight of 33% over total customer deposits. Additionally, retail and SMEs deposit concentration continued, which is enhancing low funding costs.
- All funding and liquidity ratios remained within comfort levels, and Garanti maintained its solvency levels well above requirements.

Results

Turkey generated a cumulative attributable **profit** of €488m during the first nine months of 2018, representing a 18.1% year-on-year growth. The most significant aspects of the year-on-year evolution in the income statement were as follows:

- Positive performance of **interest income** (up to 26.4%) despite loan-to-deposit pressure as a consequence of the higher contribution from inflation-linked bonds.
- **Income from fees and commissions** grew by 32.0%. This significant increase was mainly driven by the positive performance in payment systems, advances, money transfers and other commissions.
- Increase in **NTI** (by 99.8%) taking advantage of the volatile conditions of global markets, asset and liabilities management and gains on derivatives.
- **Gross income** was up 28.1% in the third quarter of 2018 compared to the same period as of 2017, thanks to the increased core banking activities.

- **Operating expenses** increased by 10.8%, slightly below the average inflation rate (13.75%) and well below the year-on-year growth rate in gross income, as a strict cost-control discipline exists. Due to this, the efficiency ratio declined to 32.6%.
- **Impairment on financial assets** increased by 149.5%, due to certain negative impacts coming from the wholesale-customer portfolio and the macroeconomic scenario update. As a result, the cumulative cost of risk of the area was located in a 1.72%.

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

Income statement	IFRS 9 Jan.-Sep. 18	Δ %	Δ %(1)	IAS 39 Jan.-Sep. 17
Net interest income	**2,204**	**(8.1)**	**26.4**	**2,399**
Net fees and commissions	515	(4.1)	32.0	537
Net trading income	31	45.2	99.8	22
Other operating income and expenses	51	1.0	39.0	50
Gross income	**2,801**	**(6.9)**	**28.1**	**3,008**
Operating expenses	(914)	(19.5)	10.8	(1,135)
Personnel expenses	(486)	(19.7)	10.5	(605)
Other administrative expenses	(323)	(17.8)	13.1	(392)
Depreciation	(105)	(23.4)	5.3	(137)
Operating income	**1,887**	**0.8**	**38.6**	**1,873**
Impairment on financial assets not measured at fair value through profit or loss	(638)	81.4	149.5	(352)
Provisions or reversal of provisions and other results	17	n.s.	n.s.	(12)
Profit/(loss) before tax	**1,267**	**(16.1)**	**15.4**	**1,510**
Income tax	(278)	(9.8)	24.1	(308)
Profit/(loss) for the year	**989**	**(17.7)**	**13.2**	**1,201**
Non-controlling interests	(501)	(20.9)	8.8	(634)
Net attributable profit	**488**	**(14.1)**	**18.1**	**568**

Balance sheets	IFRS 9 30-09-18	Δ %	Δ %(1)	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	7,628	89.0	189.5	4,036
Financial assets designated at fair value	5,545	(13.6)	32.3	6,419
of which loans and advances	-	-	-	-
Financial assets at amortized cost	50,344	(22.6)	18.5	65,083
of which loans and advances to customers	40,833	(20.5)	21.8	51,378
Tangible assets	924	(31.2)	5.4	1,344
Other assets	1,593	(12.0)	34.7	1,811
Total assets/liabilities and equity	**66,035**	**(16.1)**	**28.6**	**78,694**
Financial liabilities held for trading and designated at fair value through profit or loss	2,562	295.6	n.s.	648
Deposits from central banks and credit institutions	8,539	(23.7)	16.8	11,195
Deposits from customers	38,841	(13.1)	33.1	44,691
Debt certificates	5,738	(31.2)	5.3	8,346
Other liabilities	8,296	(26.7)	12.3	11,321
Economic capital allocated	2,059	(17.4)	26.5	2,493

Relevant business indicators	30-09-18	Δ %	Δ %[1]	31-12-17
Performing loans and advances to customers under management [2]	40,181	(21.9)	19.7	51,438
Non-performing loans	2,774	8.7	66.5	2,553
Customer deposits under management [2]	38,836	(12.8)	33.6	44,539
Off-balance sheet funds [3]	2,583	(33.8)	1.4	3,902
Risk-weighted assets	52,822	(15.8)	28.9	62,768
Efficiency ratio (%)	32.6			36.5
NPL ratio (%)	5.2			3.9
NPL coverage ratio (%)	76			85
Cost of risk (%)	1.72			0.82

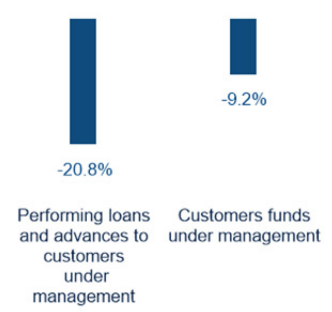
(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

South America

Highlights

- **The operation of the sale of BBVA Chile closed.**
- **Activity in other countries grows at a good pace.**
- **Good performance in more recurrent revenue.**
- **Argentina hyperinflation adjustment.**

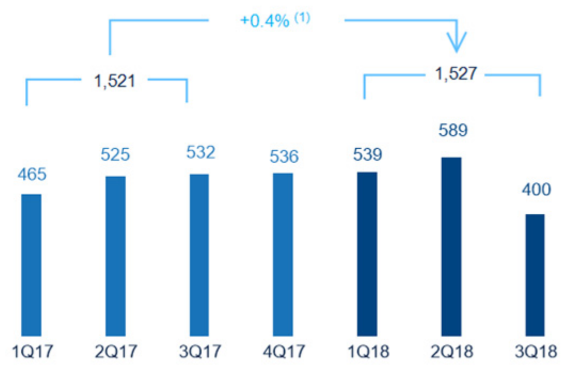
Business activity [(1)] (Year-on-year change at constant exchange rates. Data as of 30-09-18)



(1) Excluding repos.

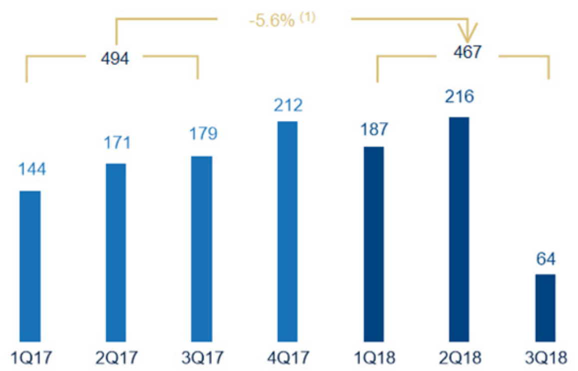
Net interest income/ATAs (Percentage. Constant exchange rate)

Operating income (Million euros at constant exchange rates)



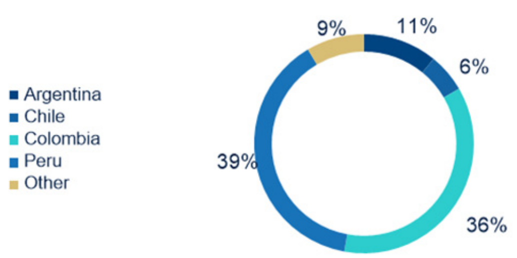
(1) At current exchange rate: -16.4%.

Net attributable profit (Million euros at constant exchange rate)



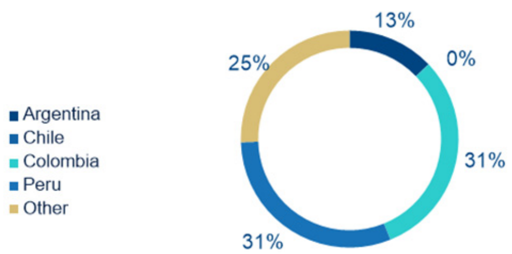
(1) At current exchange rate: -24.2%

Breakdown of performing loans under management [(1)] (30-09-18)



(1) Excluding repos.

Breakdown of customer funds under management [(1)] (30-09-18)



(1) Excluding repos.

Macro and industry trends

Economic activity in South America suffered on average significant fall in the second quarter of the year. However, this was the result of the strong contraction in Argentina, as the rest of the countries in the region, mainly the Andean countries, have consolidated the recovery that began in 2017. In Argentina, the lack of foreign investor confidence regarding the country's capacity to satisfy its financing needs triggered an exchange-rate crisis, with a significant impact on economic activity. The agreement reached with the IMF grants Argentina the capacity to deal with its financing needs next year and to operate on the currency markets to control the exchange rate. In the rest of the countries in the region, consumption continues to recover, supported by lower inflation levels, and also investment, boosted by growth in internal demand, the recovery of confidence and a positive external context (strong demand and commodity prices).

As in the case of economic activity, **inflation** in the region shows clearly two different trends: while in Argentina, and to a lesser extent Brazil, prices increased as a result of the depreciation of the currency, in the rest of the countries inflation remains at levels close to the targets of their respective central banks. To this extent, the phase of lax monetary policy could be reaching its end. In the coming months the monetary authorities could initiate steady rises in interest rates, except in the case of Argentina, which following the agreement reached with the IMF is implementing a monetary policy rule based on zero growth targets for the monetary aggregates in order to withdraw liquidity from the market and thus preventing the demand for foreign currency.

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

Activity

On 6-July-2018, after obtaining all required authorizations, BBVA completed the **sale** to The Bank of Nova Scotia of its direct and indirect stake in Banco Bilbao Vizcaya Argentaria, Chile (**BBVA Chile**) as well as in other companies of its group in Chile whose operations are complementary to the banking business (particularly, BBVA Seguros Vida, S.A.). BBVA's stake in BBVA Chile amounted to approximately 68.2% of its share capital. The impacts of this transaction will be reflected in the financial statements of the BBVA Group for the third quarter of 2018.

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

The most relevant aspects related to the area's activity year-to-date as of 30-September-2018 were:

- **Lending** (performing loans under management) in South America decreased by 22.9% in the first nine months of 2018. Excluding BBVA Chile from the comparison, loans to customers grew by 6.4%. By country, the most significant increase was in Argentina (up 34.6% year-to-date and 60.4% year-on-year) and the improvement in investment in Colombia and Peru. By portfolios, excluding BBVA Chile from the comparison, performance was especially positive in the mortgage, consumer and corporate segments.
- Regarding **asset quality**, there was a slight increase in the NPL ratio, as of September 30, 2018 it stood at 4.3%, while the NPL coverage ratio grew at 101%.
- Customer **funds** decreased by 14.6% in the first nine months of 2018 (down 11.5% year-on-year), Excluding BBVA Chile from the comparison, it grew by 9.3% in the same period (up 13.1% year-on-year). Off-balance-sheet funds decreased by 2.4% year-to-date, although excluding BBVA Chile from the comparison, it grew by 9.1% in the same period. By country there was a positive trend in Argentina (up 56.2%), Colombia (up 7.4%) and Peru (up 4.8%).

Results

In the first nine months of of 2018, South America generated a **net attributable profit** of €467 million, which represents year-on-year fall of -5.6% (-24.2% at current exchange rates). This evolution is affected by the negative impact of accounting for hyperinflation in Argentina in the net attributable profit of the area (€-190 million) as well as by the change in the perimeter originated from the sale of BBVA Chile on July 6, 2018. However, the most recurrent income (net interest income and commissions) and NTI increased by 12.3% in the last twelve months. Decrease of the **impairment losses on financial assets** (down 0.4%) year-on-year. As a result, the cumulative cost of risk at the close of September stood at 1.45%.

By country, the trends in the first nine months of 2018 were as follows:

- In **Argentina**, there was year-on-year growth in gross income of 25.7%. This increase was based both on the performance of recurring revenue (boosted by higher volumes of business) and the positive performance of NTI (mainly due to exchange rates). Impairment losses on financial assets also posted a growth. As a result, there net attributable profit includes the effect of hyperinflation and stood at -€2 million.
- In **Colombia**, the increase in earnings was based on the good performance of net interest income (due to a positive performance in activity and customer spreads) and higher net fees and commissions, which boosted gross income (up 5.8%) above the rate of growth of operating expenses (up 5.4%). Together with the reduction of impairment losses on financial assets, this led to a year-on-year increase of 43.1% in the net attributable profit.
- In **Peru**, net attributable profit increased by 5.7% year-on-year, leveraged by the good performance of net interest income (increase in lending), higher net fees and commissions and a flattish decrease in impairment losses on financial assets.

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

Income statement	IFRS 9 Jan.-Sep. 18	∆ %	∆ % (1)	IAS 39 Jan.-Sep. 17
Net interest income	**2,226**	**(7.0)**	**13.2**	**2,393**
Net fees and commissions	455	(14.5)	9.9	532
Net trading income	303	(13.6)	9.2	350
Other operating income and expenses	(207)	n.s.	n.s.	65
Gross income	**2,777**	**(16.9)**	**3.6**	**3,340**
Operating expenses	(1,249)	(17.4)	7.9	(1,513)
Personnel expenses	(626)	(19.9)	5.6	(782)
Other administrative expenses	(532)	(16.9)	8.4	(641)
Depreciation	(91)	0.3	23.0	(91)
Operating income	**1,527**	**(16.4)**	**0.4**	**1,827**
Impairment on financial assets not measured at fair value through profit or loss	(502)	(9.5)	(0.4)	(555)
Provisions or reversal of provisions and other results	(38)	(39.7)	(20.5)	(63)
Profit/(loss) before tax	**987**	**(18.4)**	**1.8**	**1,209**
Income tax	(339)	(2.4)	24.4	(347)
Profit/(loss) for the year	**648**	**(24.8)**	**(7.0)**	**862**
Non-controlling interests	(181)	(26.5)	(10.5)	(246)
Net attributable profit	**467**	**(24.2)**	**(5.6)**	**616**

Balance sheets	IFRS 9 30-09-18	∆ %	∆ %(1)	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	7,211	(20.2)	(12.0)	9,039
Financial assets designated at fair value	6,583	(43.4)	(40.1)	11,627
of which loans and advances	648	n.s.	n.s.	3
Financial assets at amortized cost	36,502	(28.7)	(24.0)	51,207
of which loans and advances to customers	34,795	(27.9)	(23.3)	48,272
Tangible assets	723	(0.3)	17.2	725
Other assets	54	(97.3)	(97.2)	2,038
Total assets/liabilities and equity	**51,073**	**(31.6)**	**(26.8)**	**74,636**
Financial liabilities held for trading and designated at fair value through profit or loss	567	(79.9)	(79.3)	2,823
Deposits from central banks and credit institutions	2,989	(60.4)	(60.1)	7,552
Deposits from customers	36,405	(20.3)	(14.0)	45,666
Debt certificates	3,077	(57.3)	(56.4)	7,209
Other liabilities	5,669	(33.3)	(24.7)	8,505
Economic capital allocated	2,367	(17.8)	(9.9)	2,881

Relevant business indicators	30-09-18	Δ %	Δ % (1)	31-12-17
Performing loans and advances to customers under management (2)	34,838	(27.5)	(22.9)	48,068
Non-performing loans	1,729	(8.3)	(7.9)	1,884
Customer deposits under management (3)	36,433	(20.7)	(14.6)	45,970
Off-balance sheet funds (4)	11,542	(5.4)	(2.5)	12,197
Risk-weighted assets	41,554	(25.8)	(19.0)	55,975
Efficiency ratio (%)	45.0			45.1
NPL ratio (%)	4.3			3.4
NPL coverage ratio (%)	101			89
Cost of risk (%)	1.45			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 (Millions of Euros)

	IFRS 9			IAS 39	IFRS 9			IAS 39
	Operating income				Net attributable profit			
Country	**Jan.-Sep. 18**	**Δ %**	**Δ % (1)**	**Jan.-Sep. 17**	**Jan.-Sep. 18**	**Δ %**	**Δ % (1)**	**Jan.-Sep. 17**
Argentina	131	(65.7)	(13.3)	381	(2)	n.s.	n.s.	163
Chile	254	(19.8)	(17.4)	316	116	(15.9)	(13.4)	138
Colombia	481	0.9	6.1	476	181	36.1	43.1	133
Peru	536	(2.1)	4.9	547	128	(1.4)	5.7	130
Other countries (2)	126	19.3	26.8	106	44	(15.9)	(9.6)	52
Total	**1,527**	**(16.4)**	**0.4**	**1,827**	**467**	**(24.2)**	**(5.6)**	**616**

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

South America. Relevant business indicators per country (Millions of Euros)

	Argentina		Chile		Colombia		Peru	
	30-09-18	**31-12-17**	**30-09-18**	**31-12-17**	**30-09-18**	**31-12-17**	**30-09-18**	**31-12-17**
Performing loans and advances to customers under management (1-2)	3,799	2,822	1,996	14,070	12,631	12,323	13,447	13,182
Non-performing loans and guarantees given (1)	44	22	56	405	783	696	723	656
Customer deposits under management (1-3)	5,405	3,342	14	9,325	13,447	12,667	13,006	12,415
Off-balance sheet funds (1-4)	783	619	-	1,248	1,405	1,158	1,698	1,609
Risk-weighted assets	7,021	9,364	2,119	14,398	13,240	12,299	15,222	14,879
Efficiency ratio (%)	70.1	56.1	43.4	45.2	36.4	36.0	35.7	35.6
NPL ratio (%)	1.1	0.8	2.7	2.6	5.8	5.3	4.1	3.8
NPL coverage ratio (%)	175	198	104	60	102	88	99	100
Cost of risk (%)	1.22	0.61	0.80	0.76	1.95	2.59	1.40	1.14

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

Rest of Eurasia

Highlights

- **Positive trend in lending activity.**
- **Performance of deposits strongly influenced by the environment of negative interest rates.**
- **Earnings affected by decrease in revenues.**
- **Improvement of the NPL and NPL coverage ratios.**

Macro and industry trends

Growth in the Eurozone held steady in the second quarter of this year to 0.4% quarter-on-quarter, according to the latest information from Eurostat. This behaviour is mainly explained by the good performance of domestic demand, mainly due to the increase in investment, which offset the deterioration of external demand. The most recent indicators show that the improvement of the labor market is still supporting the growth of private spending, while the favorable financial conditions and the absorption of the idle capacity of the economy will continue to sustain the recovery of the investment. On the other hand, the depreciation of the euro since the second quarter of 2018, added to the continued buoyancy in world trade, will continue to support the competitiveness of exports. In this context, headline inflation rose to 2.1% in July, mainly due to the rise in energy and food prices, while core inflation remained at low levels (1.2%). In this scenario, the ECB will gradually reduce asset purchases over the coming months and end them in December. The ECB has also announced that it will keep interest rates low until, at least, the summer of 2019. The objective is to avoid shocks to the financial markets, which is important due to wage pressures (still limited) and rising political risks in Europe and 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 key aspects of the activity and results as of 30-September-2018 in this area were:

- **Lending** (performing loans under management) grew by 8.8% year-to-date (up 2.6% year-on-year).
- **Credit risk** indicators improved in the last three months: the NPL ratio closed at 1.6% (1.7% as of June 2018 and 2.1% as of March of the same year) and the NPL coverage ratio closed at 100% (93% and 88%, respectively, as of 30-June-2018 and as of 31-March-2018).
- Customer **deposits** under management were still strongly influenced by the negative interest rate environment in the region and showed a decline of 21.4% during the first nine months of 2018. In the last twelve months, there was a fall of 20.9%
- Regarding **earnings**, gross income declined by 13.8% year-on-year: the Rest of Europe fell by 14.4% and Asia by 4.3%. On the other hand, operating expenses continued to fall (down 4.6% year-on-year), due to tight control of personnel and discretionary costs. Impairments on financial assets increased in the quarter due to specific provisions of certain wholesale customers in Europe and Asia. These geographic areas contributed a cumulative net attributable profit between January and September of 2018 of €57 million, down 42.9% year on year.

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

Income statement	IFRS 9 Jan.-Sep. 18	Δ %	IAS 39 Jan.-Sep. 17
Net interest income	**124**	**(13.3)**	**144**
Net fees and commissions	114	(8.3)	124
Net trading income	77	(21.5)	98
Other operating income and expenses	1	(3.5)	1
Gross income	**317**	**(13.8)**	**367**
Operating expenses	(217)	(4.6)	(228)
Personnel expenses	(101)	(12.8)	(116)
Other administrative expenses	(111)	8.4	(103)
Depreciation	(5)	(48.5)	(9)
Operating income	**99**	**(28.8)**	**140**
Impairment on financial assets not measured at fair value through profit or loss	(9)	n.s.	10
Provisions or reversal of provisions and other results	3	n.s.	(8)
Profit/(loss) before tax	**94**	**(33.4)**	**141**
Income tax	(37)	(9.8)	(40)
Profit/(loss) for the year	**57**	**(42.9)**	**101**
Non-controlling interests	-	-	-
Net attributable profit	**57**	**(42.9)**	**101**

Balance sheets	IFRS 9 30-09-18	Δ %	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	700	(20.2)	877
Financial assets designated at fair value	531	(46.4)	991
of which loans and advances	-	-	-
Financial assets at amortized cost	16,893	12.6	15,009
of which loans and advances to customers	15,622	5.1	14,864
Inter-area positions	-	-	-
Tangible assets	38	6.3	36
Other assets	320	(9.1)	352
Total assets/liabilities and equity	**18,482**	**7.0**	**17,265**
Financial liabilities held for trading and designated at fair value through profit or loss	39	(13.1)	45
Deposits from central banks and credit institutions	2,301	(2.7)	2,364
Deposits from customers	5,196	(22.5)	6,700
Debt certificates	266	(24.9)	354
Inter-area positions	9,178	62.6	5,643
Other liabilities	778	(37.6)	1,246
Economic capital allocated	724	(20.7)	913

Relevant business indicators	30-09-18	Δ %	31-12-17
Performing loans and advances to customers under management [1]	16,731	8.9	15,362
Non-performing loans	390	(29.9)	556
Customer deposits under management [1]	5,196	(22.5)	6,700
Off-balance sheet funds [2]	383	1.9	376
Risk-weighted assets	13,889	(8.3)	15,150
Efficiency ratio (%)	68.6		65.9
NPL ratio (%)	1.6		2.4
NPL coverage ratio (%)	100		74
Cost of risk (%)	0.13		(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; certain issuances of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding earnings, whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles.

The Corporate Center registered a net attributable **loss** of €188m during the first nine months of 2018, which positively compares with a loss of €656m in the same period of 2017. By entries, the most relevant are the following:

- Negative contribution from NTI, compared to the capital gains recorded, in the amount of €228m before taxes, from the market sales of the stakes \ in CNCB (204 million in the first quarter, for the sale of 1.7%, and 24 million in the third quarter for the sale of the remaining 0.34%) registered in the same period of the previous year.

- The **result of corporate operations** registering capital gains (net of taxes) originated by the **sale** of approximately 68.2% of the capital stock of **BBVA Chile**, which amounts to €633m. Excluding this effect, the attributable profit without corporate operations, amounted to €-821m, representing a 25.2% loss, higher than the amount registered twelve months earlier.

Financial statements (Millions of Euros and percentage)

Income statement	IFRS 9 Jan.-Sep. 18	Δ %	IAS 39 Jan.-Sep. 17
Net interest income	**(210)**	**(23.4)**	**(274)**
Net fees and commissions	(50)	(24.1)	(66)
Net trading income	(96)	n.s.	293
Other operating income and expenses	31	(10.3)	34
Gross income	**(325)**	**n.s.**	**(13)**
Operating expenses	(696)	5.3	(662)
Personnel expenses	(374)	4.1	(359)
Other administrative expenses	(158)	106.8	(77)
Depreciation	(164)	(27.3)	(226)
Operating income	**(1,022)**	**51.5**	**(674)**
Impairment on financial assets not measured at fair value through profit or loss	0	n.s.	(1)
Provisions or reversal of provisions and other results	(55)	(3.9)	(58)
Profit/(loss) before tax	**(1,077)**	**47.0**	**(733)**
Income tax	253	175.7	92
Profit/(loss) after tax from ongoing operations	(824)	28.6	(641)
Results from corporate operations (1)	633	n.s.	-
Profit/(loss) for the year	**(191)**	**(70.2)**	**(641)**
Non-controlling interests	3	n.s.	(14)
Net attributable profit	**(188)**	**(71.4)**	**(656)**
Net attributable profit excluding results from corporate operations	**(821)**	**25.2**	**(656)**

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

Balance sheets	IFRS 9 30-09-18	Δ %	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	73	n.s.	5
Financial assets designated at fair value	4,101	63.2	2,514
of which loans and advances	-	-	-
Financial assets at amortized cost	-	-	-
of which loans and advances to customers	-	-	-
Inter-area positions	(4,276)	185.0	(1,501)
Tangible assets	1,581	(16.5)	1,893
Other assets	22,332	27.0	17,585
Total assets/liabilities and equity	**23,811**	**16.2**	**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	9,060	3.3	8,772
Inter-area positions	(16,030)	(2.2)	(16,384)
Other liabilities	107	(75.8)	443
Economic capital allocated	(22,363)	(10.3)	(24,941)
Shareholders' funds	53,037	0.8	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 in order to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

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

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency of the geographies where the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

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

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

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

Book value per share

			IFRS 9 30-09-18	IFRS 9 01-01-18	IAS 39 31-12-17	IAS 39 30-09-17
Numerator (million euros)	+	Shareholders' funds	56,502	54,285	55,136	55,287
	+	Dividend-option adjustment	-	-	-	-
	+	Accumulated other comprehensive income	(10,505)	(8,889)	(8,792)	(7,956)
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668	6,668
	+	Dividend-option	-	-	-	-
	-	Treasury shares	38	13	13	8
=		Book value per share (euros / share)	6.94	6.82	6.96	7.11

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

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

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

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

Tangible book value per share

			IFRS 9 30-09-18	IFRS 9 01-01-18	IAS 39 31-12-17	IAS 39 30-09-17
Numerator (million euros)	+	Shareholders' funds	56,502	54,285	55,136	55,287
	+	Dividend-option adjustment	-	-	-	-
	+	Accumulated other comprehensive income	(10,505)	(8,889)	(8,792)	(7,956)
	-	Intangible assets	8,213	8,464	8,464	8,743
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668	6,668
	+	Dividend-option	-	-	-	-
	-	Treasury shares	38	13	13	8
=		Tangible book value per share (euros / share)	5.70	5.55	5.69	5.79

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

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

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

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

Dividend yield

		30-09-18	31-12-17	30-09-17
Numerator (euros)	∑ Dividends	0.24	0.30	0.29
Denominator (euros)	Closing price	5.49	7.11	7.56
=	Dividend yield	4.4%	4.2%	3.8%

Non-performing loan (NPL) ratio

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

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

Explanation of the formula: ''Non-performing loans'' include those related to loans and advances to customers (gross) and those related to contingent risk, excluding the non-performing loans of credit institutions and securities. ''Total credit risk'' includes both pending and contingent risk. Their calculation is based on the headings in the first table on page 13 of this report.

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

Change of criteria, due to IFRS 9, which entered into force on January 1, 2018, certain wholesale customer repos that until December 31, 2017 were presented in the total credit risk have not been taken into account in the calculation of this metric.

Non-Performing Loans (NPLs) ratio

		30-09-18	31-12-17	30-09-17
Numerator (million euros)	NPLs	17,693	20,492	20,932
Denominator (million euros)	Credit Risk	428,318	450,045	455,888
=	Non-Performing Loans (NPLs) ratio	4.1%	4.6%	4.6%

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions. It is calculated as follows:.

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

Explanation of the formula: ''Non-performing loans'' include those related to lending activity and those related to contingent risk, excluding non-performing loans from credit institutions and securities. ''Provisions'' are loan-loss provisions, for both customer loans and contingent risk. Their calculation is based on the headings in the first table on page 30 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

		30-09-18	31-12-17	30-09-17
Numerator (million euros)	Provisions	12,890	13,319	15,042
Denominator (million euros)	NPLs	17,693	20,492	20,932
=	NPL coverage ratio	73%	65%	72%

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions, included in the "impairment on financial assets not measured at fair value through profit or loss" line) of each unit of loans and advances to customers (gross). It is calculated as follows:

$$\frac{\text{Annualized loan} - \text{loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: ''Annualized loan-loss provisions'' are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis, to standardize the comparison between different periods. For example, loan-loss provisions for six months (180 days)are divided by 180 to obtain daily loan-loss provisions and multiplied by 365 to obtain the annualized figure. This calculation uses the calendar days of the period under consideration.

''Loans and advances to customers (gross)'' refers to the portfolio of financial assets at amortized cost of the Group's consolidated balance sheet. The average of loans and advances to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk

		30-09-18	31-12-17	30-09-17
Numerator (million euros)	Annualized loan-loss provisions	3,533	3,674	3,918
Denominator (million euros)	Average loans and advances to customers (gross)	393,855	414,448	418,080
=	Cost of risk	0.90%	0.89%	0.94%

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

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

Explanation of the formula: Both ''operating expenses'' and ''gross income'' are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the table on page 8 of this report should be consulted, whose figures are at current exchange rates, and also the graphs on page 9, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

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

Efficiency ratio

			Jan.-Sept. 2018	Jan.-Dec. 2017	Jan.-Sept. 2017
Numerator (million euros)		Operating expenses	(8,721)	(12,500)	(9,386)
Denominator (million euros)		Gross income	17,596	25,270	18,908
=		Efficiency ratio	49.6%	49.5%	49.6%

ROE

The ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

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

Explanation of the formula: "Annualized net attributable profit" is taken directly from the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized, and then added to the metric once it has been annualized.

''Average shareholders' funds'' are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

''Average accumulated other comprehensive income'' is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

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

Change of criteria: As of 2018, accumulated 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.-Sept. 2018	Jan.-Dec. 2017	Jan.-Sept. 2017
Numerator (million euros)		Annualized net attributable profit	4,933	3,519	4,612
	+	Corporate operations	633	-	-
Denominator (million euros)	+	Average shareholder's funds	55,470	54,613	54,347
	+	Average accumulated other comprehensive income	(9,666)	(7,019)	(6,519)
=		ROE	12.2%	7.4%	9.6%

ROTE

The ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

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

Explanation of the formula: The numerator (annualized net attributable profit) and the items in the denominator "average intangible assets" and "average accumulated other comprehensive income" are the same items and are calculated in the same way as explained for ROE.

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

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

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

ROTE

			Jan.-Sept. 2018	Jan.-Dec. 2017	Jan.-Sept. 2017
Numerator (million euros)		Annualized net attributable profit	4,933	3,519	4,612
	+	Corporate operations	633	-	-
Denominator (million euros)	+	Average shareholder's funds	55,470	54,613	54,347
	+	Average accumulated other comprehensive income	(9,666)	(7,019)	(6,519)
	-	Average intangible assets	8,282	9,073	9,233
=		ROTE	14.8%	9.1%	11.9%

ROA

The ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

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

Explanation of the formula: "Annualized profit for the year" is taken directly from the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized and then added to the metric once it has been annualized.

"Average total assets" are taken from the Group's consolidated balance sheet. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

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.-Sept. 2018	Jan.-Dec. 2017	Jan.-Sept. 2017
Numerator (million euros)		Annualized profit for the year	5,844	4,762	5,809
	+	Corporate operations	633	-	-
Denominator (million euros)		Average total assets	679,435	702,508	705,752
=		ROA	0.95%	0.68%	0.82%

RORWA

The RORWA (return on risk-weighted assets) ratio measures the accounting return obtained on average risk-weighted assets. It is calculated as follows:

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

Explanation of the formula: ''Annualized profit for the year'' is the same figure as explained for ROA.

''Average risk-weighted assets''(RWA) is the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis and is calculated in the same way as explained for shareholders' funds in ROE..

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

RORWA

			Jan.-Sept. 2018	Jan.-Dec. 2017	Jan.-Sept. 2017
Numerator (million euros)		Annualized profit for the year	5,844	4,762	5,809
	+	Corporate operations	633	-	-
Denominator (million euros)		Average RWA	355,301	375,589	378,761
=		RORWA	1.82%	1.27%	1.53%

Other customer funds

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

Explanation of the formula: It is the period-end sum on a given date of the mutual funds, pension funds, other off-balance sheet funds and customer portfolios; as displayed in the table on page 15 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, other off-balance sheet funds, customer portfolios, etc.

Other customer funds

Million euros			30-09-18	31-12-17	30-09-17
	+	Mutual funds	64,081	60,939	60,868
	+	Pension Funds	33,709	33,985	33,615
	+	Other off-balance sheet funds	3,199	3,081	3,293
	+	Customer portfolios	31,809	36,901	39,948
=		Other customer funds	132,798	134,906	137,724